The
American Economic Review
VOL. XIX MARCH, 1929 No. 1

THE GUIDANCE OF PRODUCTION IN A SOCIALIST STATE

Presidential address delivered at the Forty-First Annual Meeting of the American Economic Association, Chicago, Illinois, December 27, 1928

Like most teachers of economic theory, I have found it quite worth while to spend some time studying any particular problem in hand from the standpoint of a socialist state. In fact I have more than once found it profitable to work out, from that standpoint, a quite specific solution of the problem in question—setting up as the proper criterion of a sound solution that it should seem entirely reasonable in view of the essential nature of a socialist state. Tonight, I am applying this method of procedure to a very fundamental problem of any coöperative economic order, that is, the problem embodied in this question: What is the proper method of determining just what commodities shall be produced from the economic resources at the disposal of a given community?

Under the present economic order of free private initiative, the actual decision as to what commodities shall be produced is made very simply. First, on the basis of a vast complex of institutions, customs and laws, the citizen adopts a line of conduct which provides him with a money income of greater or less volume. Secondly, that citizen comes on the market with said income demanding from those persons who have voluntarily assumed the rôle of producers, whatever commodities, he, the citizen, chooses. Thirdly, the producers promptly submit to the dictation of the citizen in this matter, provided always that said citizen brings along with his demand entire readiness to pay for each commodity a price equal to the cost of producing that commodity. In the case of a socialist state, the proper method of determining what commodities shall be produced would be in outline substantially the same as that just described. That is, the correct general procedure would be this: (1) the state would assure to the citizen a given money income and (2) the state would authorize the citizen to spend that income as he chose in buying commodities produced by the state—a procedure which would virtually authorize the citizen to dictate just what commodities the economic authorities of the state should produce.

This paper, taken as a whole, is a defense of the method of guiding production in a socialist state which was just described. But that defense really breaks into two parts. The first part is used in making the direct defense, that is, in setting forth the specific reasons why that method is essentially sound. The second part will be used to deal with a subordinate problem, that is, a problem which would have to be solved by the authorities before the plan for guiding production here advocated could be followed. The specific nature of this subordinate problem will be more easily brought out a little later.

So much for the two tasks with which we are to deal in this paper. But, before starting upon those tasks, we must take a moment to explain just what meaning will attach to the phrase "socialist state" as used in this paper. A state so designated is here understood as being one in which the control of the whole apparatus of production and the guidance of all productive operations is to be in the hands of the state itself. In other words, the state is to be the sole responsible producer, that is, the sole person natural or legal who is authorized to employ the economic resources of the community, its stock or income of primary factors, in producing commodities. As such sole producer, the state maintains exchange relations with its citizens, buying their productive services with money and selling to them the commodities which it produces.

I

Keeping in mind this conception of a socialist state, we must now take up our first task, that is, the task of defending the proposition already laid down that, in a socialist state, the proper method of determining what commodities should be produced would be to assure each citizen a money income and then to authorize that citizen to call on the state to produce the particular commodities which he—the citizen—wanted. Here our first step must be to note some details which would be included in our plan. In the first place, when we describe the proper method of determining what commodities shall be produced as being a method which begins by assuring to each citizen a certain money income, it is of course assumed that said income is assured to the citizen only with the proviso that certain conditions fixed by the state have been fulfilled. Just what these conditions ought to be we must not take time to consider; but, that conditions of some sort should be attached to the receiving of an income cannot be questioned.

Another detail of our plan which is assumed is that, in determining the money incomes to be conditionally assured to the citizens of a socialist state, the authorities of such a state would have honestly and earnestly endeavored to fix those incomes so that they represent that distribution of the total income of the state which was called for in the in-

terest of citizens generally and of the group as an organic whole. This socially correct system of incomes being assumed, it necessarily follows that the judgments reached by citizens with respect to the relative importances of different commodities would be virtually social judgments, and the resulting commodity prices would be prices which expressed the social importances of commodities.

A third specific provision which is assumed to be present in the socialist plan for determining what commodities to produce is this: In deciding whether or not to demand the production of a particular commodity, the citizen must have before his mind just what price he would be obliged to pay for that commodity. Such a provision would be indispensable, since the citizen would not be able to reach a decision as to whether or not he wanted to buy a given commodity, unless he had before him the data necessary for comparing the desirability of said commodity with the drain on his income which the buying of that commodity would involve.

The last specific provision of the correct socialist plan for dealing with our problem would be this: In fixing the selling price of any particular commodity, the economic authorities would set that price at a point which fully covered the cost of producing said commodity, and those authorities would understand the cost of producing that commodity to be the drain on the economic resources of the community—its stock or income of primary factors—consequent upon producing said commodity.

As the particular procedure brought out in the last sentence plays an essential part in making the plan for guiding production advocated in this paper the right plan, I must add here two or three comments. First, by the phrase "primary factors" is meant those economic factors of production behind which the economist does not attempt to go, for example, the land itself; the water powers; the original raw materials such as metallic ores; the different kinds of labor services, etc.

Again, by the phrase "effective importance" I mean the degree of importance which is a resultant of the whole situation, particularly of the generic importance of the factor in question and the quantity of it available. Put in another way, the effective importance of anything is that degree of importance which we should take into account in deciding how to act. Thus, a man sitting beside a flowing well has no occasion to economize in the use of water; and so in this situation water to him has no effective importance. To the same man, however, if temporarily lost in the desert with his whole stock of water reduced to a single quart, the utmost possible economy in the use of water would be imperative; and the effective importance of his stock of water would be beyond estimate.

A third comment needed here is that every one of these numerous primary factors has its own particular degree or amount of effective importance in the vast complex of productive processes in which it participates. That effective importance of each primary factor is derived from and determined by the importances of the innumerable commodities which emerge from that complex of productive processes. Because the effective importances of the commodities are expressed in terms of money value, the importances of the several factors will be so expressed. At present it will be assumed—to prove this assumption will be the task of the second part of this paper—that the authorities of our socialist state will have proved able to ascertain with a sufficient degree of accuracy these effective importances or values of all the different kinds of primary factors, and that they will have embodied the results in arithmetic tables which I shall usually designate factor-valuation tables. In order to determine the cost of producing any particular commodity, let us say a sewing machine, it would be necessary to multiply the valuation of each factor used in producing that machine by the quantity of that factor so used and add together these different products. If the resultant total turned out to be thirty dollars, we should have to say that the producing of the sewing machine made a drain on the community's economic resources of thirty dollars; or, in other words, that its resources-cost was thirty dollars.

I must not leave this matter of cost in a socialist state without remarking that the kind of cost just explained, resources-cost, is in fact very closely allied to what, under our system, is often called expense-cost. Indeed, a very good case can be made for the contention that, in the present order, these two kinds of cost are essentially the same thing, though capable of being looked at, and labeled, from two quite different points of view. To the voluntary producer of our present order, who must buy the factors which he uses to produce a sewing machine, the thirty-dollar cost of producing that sewing machine is an expense-cost. On the other hand, to the economist who believes that the automatic working of competition gives to each primary factor a price which expresses with sufficient accuracy the effective importance of that factor in the productive process as a whole,—to him, that same thirty-dollar cost presents itself as a resources-cost, a drain on society's economic resources of thirty dollars.

So much as to the general character and the specific details of the plan for determining what commodities shall be produced which I hold to be the only right plan for a socialist state to adopt. I must now take a few moments to argue for the soundness of the plan. In the first place, the plan in its general outline is surely the one which should be maintained in a socialist state. That is, (1) the state should deter-

mine the money income of the citizen; and (2) the citizen should dictate to the state what shall be produced in return for that income. The former provision would insure that the interests of citizens generally would not be sacrificed to the interests of particular individuals; the latter provision would insure that the peculiarities of tastes and needs characteristic of each individual would not be sacrificed to some standard of consumption set up by an all-powerful state.

I have argued that the proposed plan for guiding the production of commodities in a socialist state, viewed in its general outline, is essentially sound. As respects the more specific provisions of that plan, which I have enumerated, I shall pass by the first three as needing no defense, and take up at once the fourth, which is the provision that the authorities of our socialist state, in fixing the price to be paid by the citizen for any particular commodity, ought to set that price at a point which covered completely the cost of producing that commodity and that said authorities ought to interpret the cost of producing a given commodity to be its resources-cost, the drain on the community's store or income of primary factors which resulted from producing a unit of said commodity. Is this doctrine sound? Would it really be the correct thing for the authorities to fix the selling price of any commodity at cost in this sense?

To this question, the affirmative answer is surely the right one. A single consideration is decisive: That price which equals resources-cost is the only price which would be consistent with the income system supposed to have been already decided upon. That system, we remember, gives to each citizen a determinate money income to be employed as he sees fit in buying commodities from the state. But, since substantially all commodities which the citizen is permitted to buy, that is, consumption commodities, have to be produced, the authorities of the state, in deciding that a particular citizen shall have a certain money income,—one, let us suppose, of two thousand dollars,—have thereby virtually decided that said citizen shall have an incontestable claim upon two thousand dollars' worth of the productive resources of the state; and that proposition, in turn, means that said citizen shall have an incontestable right to dictate to the economic authorities just what commodities they shall produce from his two thousand dollars' worth of the productive resources of the community. From this reasoning it necessarily follows that the authorities could not consistently make the selling-price of our hypothetical sewing machine greater than its resources-cost of thirty dollars; since doing so would in effect reduce the money income of the citizen interested, though it had previously been decided that said money income was just what it ought to be. On the other hand, it is equally evident that the authorities could not

consistently make the selling price of the sewing machine smaller than its resources-cost of thirty dollars; since doing so would in effect increase the income of the citizen interested, though, by hypothesis, that income was already just what it ought to be.

II

In the preceding discussion, we have completed our main task, that is, the task of defending that method of procedure which I have set up as the only proper one to be followed by the authorities of a socialist state in deciding what commodities to produce. In the course of that discussion it has probably become sufficiently evident why it would be necessary for the authorities of our socialist state to solve the so-called problem of imputation, that is, the problem of ascertaining the effective importance in the productive process of each primary factor. Without that information, those authorities would manifestly be unable to compute the resources-cost of any particular commodity; hence would be unable to determine the correct selling price for that commodity; and, consequently, would be unable to make use of the particular method of determining just what commodities they ought to produce which, according to the contention of this paper, is the only correct method.

But not only would it be necessary for the authorities of a socialist state to solve this imputation problem as a prerequisite to the employment of this particular method of guiding production, it is not unlikely that more than one economist would question the possibility of solving that problem at all under the conditions necessarily prevailing in a socialist state. I seem called on, therefore, to give a few moments to show that, in fact, the socialist authorities would find themselves quite equal to this task.

The particular method of procedure which would seem most suitable for dealing with this problem in the case of a socialist state is a form of the so-called method of trial-and-error, that is, the method which consists in trying out a series of hypothetical solutions till one is found which proves a success.

As a necessary preliminary to the explanation of the process by which the method of trial-and-error could be used to solve the imputation problem, we must remind ourselves that at any particular time the stock or income of each primary factor which was available for the current production period would necessarily be a substantially determinate quantity. Unless the available quantity of any factor was thus determinate and at the same time so limited that its total was smaller than the need for that factor, though it might be a factor of production, it could not be an economic factor, and so could not be one of the factors with which we are concerned.

Now, setting out from this assumption that the quantity of any economic factor which is available for any particular productive period is substantially determinate, I shall assume that the authorities of our socialist state, in trying to ascertain the effective importance of each primary factor, would adopt the following procedure. (1) They would set about constructing factor-valuation tables in which they gave each factor that valuation, which, on the basis of much careful study, they believed to be the nearest approximation to its correct valuation which they could work out in advance of experience; (2) they would then proceed to carry on their functions as managers of all productive operations as if they considered the valuations given in their provisional tables to be the absolutely correct valuations; (3) while thus acting, they would after all keep a close watch for results which would indicate that some of their provisional valuations were incorrect; (4) if such results appeared, they would then make the needed corrections in the factor tables, lowering any valuations which had proved too high, raising any which had proved too low; (5) finally, they would repeat this procedure until no further evidence of divergence from the correct valuations was forthcoming.

I hardly need say that the crucial stage in the above procedure is the third, that is, the stage during which the authorities would be on the watch to discover one or more indications that some of the valuations which they had put into the provisional tables were wrong—were too high or too low. Here the all-important question is this: Is it reasonable to expect that such indication would be forthcoming whenever particular factor valuations actually were too high or too low? The correct answer is surely an affirmative one. If, in regulating productive processes, the authorities were actually using for any particular factor a valuation which was too high or too low, that fact would soon disclose itself in unmistakable ways. Thus, supposing that, in the case of a particular factor, the valuation given in the provisional factor tables was too high, that fact would inevitably lead the authorities to be unduly economical in the use of that factor; and this conduct, in turn, would make the amount of that factor which was available for the current productive period larger than the amount which was consumed during that period. In other words, a too-high valuation of any factor would cause the stock of that factor to show a surplus at the end of the productive period. If, now, we reverse our hypothesis and suppose that the valuation of a particular factor which appeared in the factor tables was too low, that fact would inevitably lead the authorities to be too lavish in the use of that factor; and this conduct, in turn, would result in making the amount of that factor available for the current productive period smaller than the amount needed during that period

at the too-low valuation. In other words, a too-low valuation of any factor in the tables would be certain to cause a deficit in the stock of that factor. Surplus or deficit—one or the other of these would result from every wrong valuation of a factor.

From the above analysis it seems certain that the authorities of our socialist state would have no difficulty finding out whether the standard valuation of any particular factor was too high or too low. And this much having been learned, the rest would be easy. Those authorities would now proceed to lower valuations which had proved too high and raise those which had proved too low. Finally, they would have no difficulty repeating this process until neither a surplus nor a deficit appeared, when they would rightly conclude that the valuation which was then attached to any particular factor correctly expressed the effective importance of that factor. It follows that we can now feel assured that said authorities would be able to compute the resources-cost of producing any kind of commodity which the citizen might demand. But, since the doubt on this point formed the principal ground for questioning the soundness of the main contention of this paper, I find myself disposed to affirm rather dogmatically that, if the economic authorities of a socialist state would recognize equality between cost of production on the one hand and the demand price of the buyer on the other as being the adequate and the only adequate proof that the commodity in question ought to be produced, they could, under all ordinary conditions, perform their duties, as the persons who were immediately responsible for the guidance of production, with well-founded confidence that they would never make any other than the right use of the economic resources placed at their disposal.

Fred M. Taylor

University of Michigan

TEN YEARS' OPERATION OF THE WEBB LAW

It is almost ten years since the Export Trade act (Webb-Pomerene law) was enacted by Congress, so that a fairly good idea of its practical operation can be had.

This statute which permits the formation of export associations, and with certain restrictions exempts them from the Sherman anti-trust law, was in a sense a war-time measure, having become a law on April 10, 1918 (40 Stat. at L. 516-18). However, the ideas underlying it antedate the war, going back to a study of foreign cartels and combines by the United States Bureau of Corporations in 1914. The wave of interest in foreign trade which swept over this country following the outbreak of the war, focused attention on foreign cartels as a means of aiding our export business. The newly established Federal Trade Commission issued a report in 1916 on *Coöperation in American Export Trade*, in which it recommended that Congress "enact declaratory and permissive legislation to remove the present doubt as to the (Sherman) law and to establish clearly the legality of coöperating in export trade." American exporters, especially the smaller manufacturers and producers, the Commission urged, should be enabled to compete in foreign markets on more nearly equal terms with foreign competitors. For this purpose the formation of export associations should be permitted by law.

In the hearings and debates on the bills introduced by Representative Webb and Senator Pomerene, during the Sixty-fourth and Sixty-fifth Congresses, considerable emphasis was laid on their alleged defensive purpose against foreign cartels and combines, which were said to be chiefly aggressive organizations over against which the individual American exporter was at a disadvantage.

Objections that legalized export associations would become instruments of oppression, repugnant to the public interest, that such legislation would lead to a breakdown of the Sherman law and would open the door to monopolistic agreements affecting the domestic market of the United States, were met by inserting certain safeguarding clauses into the bills. These provide that export associations operating under the Act shall be restricted to American export trade exclusively; that they shall not engage in unfair competition against other American competitors engaged in export trade; that they shall not artificially or intentionally enhance or depress domestic prices or substantially lessen competition or otherwise restrain trade within the United States.

In case an association should fail to comply with these requirements, the Federal Trade Commission was empowered to recommend a business readjustment in accordance with law, and, if not complied with, to

refer its findings and recommendations to the United States Attorney General for appropriate action.

Each association is required to file with the Federal Trade Commission, within thirty days of its organization, and annually thereafter on January 1, a copy of its charter, by-laws and agreement, together with the names and addresses of its officers and stockholders or members. This has been done during the period from April 10, 1918, to July 1, 1928, by a total of 156 alleged export associations. The number on file at the present time is fifty-six. That leaves 100 which have either withdrawn, consolidated or gone out of existence. The total number on file for each year from 1918 to 1928 was as follows:

1918	48	1924	50
1919	58	1925	50
1920	43	1926	51
1921	48	1927	55
1922	46	1928	56
1923	55		

A number of factors account for the seemingly large mortality rate. Principally this, that many concerns which in the early years of the law filed papers, apparently did so due to a lack of understanding of the requirements and purpose of the Act. Not being sure of their status, they reported rather than risk coming under the penalty provisions of the Act. Most of them were not combinations made up of competitors at all, and needed no exemption from the Sherman antitrust law. Some were ordinary import and export commission houses. Others represented more or less adventurous enterprises seeking publicity. None qualified under the terms of the Act. In several cases the reduction in number was due to reorganization and consolidation.

The number of those former associations which did qualify, but later disbanded, is about twenty. The causes underlying their dissolution include the following: internal dissension, poor management, lack of export business or of sufficient interest in developing export trade, unwillingness to coöperate, preference for doing business through export commission houses, original need for combining for export no longer felt, no advantages experienced under the Act. The personal factor has played a potent rôle in these associations, and the successful operation of export associations was due in many cases largely to one person who could smooth out difficulties, rivalries, etc., and promote harmonious teamwork. The former Exporting Rye Millers' Association and the Nogales Garbanza Association represented associations formed to meet temporary needs. The Canned Foods Export Corporation, representing members of the American Canners' Association, never did

any business. The United States Office Equipment Export Association and the Textile Alliance Export Company ceased operations, having found no advantages warranting their continuance under the Act.

The leading one among the defunct export associations was the Consolidated Steel Corporation formed in 1919. Its charter was considered a model and was followed by many other associations formed subsequently. It was a fully organized export sales syndicate representing the principal so-called "independent" steel producers, including the Bethlehem, Republic, Midvale, Lackawanna and other companies. It disbanded in 1922, due to controversies over allocation of orders and general business depression at the time. The recently formed Steel Export Association of America indicates a return to the principle of coöperation on a broader scale, but the new form of organization is much looser than that of the former association. The members of the new association are the United States Steel Products Company and the Bethlehem Steel Export Corporation.

Several attempts to form a sort of super-export association, *i.e.*, an all-inclusive central organization under the Webb law, to handle the export business of individual concerns and of groups and even of entire industries, proved a failure. The Namusa Corporation was formed for this purpose in 1920, by members of the National Association of Manufacturers, but was dissolved again in 1922 for want of business.

Of the total number of associations reporting at the present time, twenty-four were formed in the course of the first two years following the passage of the Act. Of the remaining number, fifteen are five years old or more. Six were formed during the past year. Comparison with the average life of European export cartels shows that the associations formed under the Webb law, excluding those that never qualified, operate as long, if not longer.

The present associations have a total membership of about 800 concerns, including mining companies, packing houses, mills, dehydrating plants, refineries, lumber companies and manufacturing concerns of various kinds, all supplying goods for export trade. They are located in nearly every state of the Union and furnish employment to thousands of persons. Most of the associations maintain their main office at one of the Atlantic or Pacific ports. Twenty-three have their headquarters in New York City, four in New Orleans, three each in San Francisco and Seattle, two in Tacoma, one each in Portland, Savannah and Philadelphia. Others have central offices located at inland points.

The commodities exported include raw materials largely, although considerable quantities of manufactured goods are handled also. Of

raw materials lumber, copper, zinc, naval stores, phosphate rock and sulphur predominate; of foodstuffs, meat and lard, flour, sugar, rice, milk, canned salmon, sardines, and dried fresh fruit. Iron and steel products include rolled steel, railway equipment, pipes and valves. Chemical products include caustic soda, soda ash, liquid chlorine, soda pulp, paints and varnishes. Other commodities exported are paper, abrasives, rubber goods, clothespins, wooden tools, barrel shooks, wooden screws and doors.

The total value of the exports by Webb law associations has, with e or two exceptions, increased from year to year, as follows:

19	$ 75,000,000	1924	$139,700,000
920	90,000,000	1925	165,200,000
921	No data available	1926	200,500,000
922	No data available	1927	300,000,000
923	153,400,000		

Increased exports during 1928 in copper, together with the exports of the new steel export association, will raise the total for the present year considerably over that of 1927.

Exports have gone to nearly all parts of the world, principally to European and Latin-American countries. In a number of instances the development of new markets can be traced directly to the centralized efforts of Webb associations. For example, when the wearing of belts reduced the demand for men's suspenders, new outlets for elastic goods were developed in the Far East. A survey of Latin-American markets opened up a demand for American woods not subject to the ravages of certain insects.

Among the advantages accruing from coöperation as carried on under the Webb law, according to data furnished by associations, are the following: stabilization of prices by preventing underselling; reduction of overhead expense, selling costs, etc.; standardization of grades, contract terms and sales practices; centralized inspection of shipments; consolidation of shipments; joint market surveys and development of new markets; centralized handling of claims; elimination of excessive credit terms; facilities for accepting and handling of large orders, varieties of grades, styles and dimensions and allocation among the association members. Other advantages reported include, "the ability to present a solid front to foreign competitors and to satisfy foreign buyers and gain their confidence who know that they are dealing with a responsible organization."

Over against these advantages certain handicaps have been noticeable. As far as export commodities are concerned, raw materials (lumber,

minerals, grain) have lent themselves most readily to export syndication. Manufacturers of trade-marked goods have not responded thus far to efforts from their midst to combine for export. Fear that the good-will of their established brand or mark and the individuality thus created would suffer, that their particular line would not be sufficiently "pushed," etc., are some of the reasons that have been advanced in opposition to coöperative action by manufacturers of well-known branded wearing apparel and finished goods. On the other hand, the use of joint export trade-marks has been successful in case of commodities like lumber, where the products of the individual members are all alike and can be easily sold under a joint trade name. The "Wesco" brand of the Walnut Export Sales Company serves as an example of a successful joint export trade-mark.

Experience also shows that it is difficult to procure harmonious coöperation where the member concerns are of unequal size. In such cases the smaller concerns are likely to make unreasonable demands for quota allotments and concessions of all kinds, to accuse the larger members of endeavoring to domineer, etc. Business rivalry, disagreements and unwillingness to coöperate develop frequently also where an association has a large membership of small concerns.

Further difficulties with which export associations have had to cope consist in unwillingness of individual members to abide by price agreements in time of business depression, and in competition from outsiders who are unwilling to join, yet take advantage of benefits resulting from associated effort of others.

The legal form of organization adopted by the various export associations varies, some being incorporated, others operating as ordinary associations by agreement. The latter form, being the looser of the two, has been given preference, particularly where an agreement on prices, credit terms, allotment of sales, etc., constitutes the main or sole purpose and function of the association. The recently organized Steel Export Association of America belongs to this type.

The more rigid form of a corporation has been chosen where a centralized sales system has been established or where the activities of the associations require a more elaborate operating machinery.

One of the first to organize under the Act was an incorporated association exporting the manufactured products of six stockholding companies. The association acts as the central selling agency, ships the merchandise, collects for same and remits the proceeds to the manufacturer producing the merchandise. Another incorporated association divides its orders upon a system based upon a percentage of quota assigned to each stockholder, taking into consideration the manufacturing capacity, location, facilities for loading, and the quality of

goods produced. The running expenses of the association are covered by a 2.5 per cent commission on sales.

A third association consists of ten mills, which formerly had no organization for carrying on foreign trade, but who associated themselves in an unincorporated association with an eleventh concern which had a well-developed export department. The eleventh member was appointed sole agent for export sales. Orders are allocated among the members according to predetermined percentages.

A fourth association, incorporated, acts as exclusive selling agency for its members. Orders are allocated on the basis of stock holdings and are filled by the members, with arrangements for freight on standard gross form of charter party, and insurance in the name of and payable to the association as owner. Payment is made by the foreign purchaser to the corporation on presentation of draft with invoice shipping documents.

A fifth association, incorporated, with exclusive agents in foreign countries, handles all the export business of its mill stockholders, under a membership agreement which provides for monthly reports from each member of the association, covering the amount and character of stock available for export. On the basis of these reports orders are allocated. The price received by the member mill, as fixed by the officers of the association, is f.o.b. cars at port designated, less freight to port, less a percentage to cover operating expenses of the association. Provision is made for division of net profits by declaration and payment of dividends to stockholders in proportion to goods sold by them to the association. A system of inspection has been established for all goods exported, the bonded inspectors appointed being paid by the association.

One unincorporated association operates through a "council," consisting of one representative for each of six member companies. It fixes minimum prices and the form of contracts governing export sales, the orders for which are obtained by the president of the association, either direct from the consumer or through agents abroad, and are allocated by him among the members according to a predetermined percentage. All expenses of the association are borne by the members at the time the expense accrues, in proportion to their respective percentages.

Another unincorporated association sells to foreign buyers through its "export committee," which endeavors to market all the goods offered for export by the members of the association at the best prices obtainable, in as fair and equitable a manner as possible, without discrimination between marks and brands, and without preference as to one member over another. The terms of sale are cash against documents f.o.b.

seaport. The general overhead expenses of the association are borne pro rata by the members whose product is sold upon the basis of their actual sales.

The extent varies to which the associations formed thus far are representative of their respective industries. There is a noticeable tendency, especially in the case of raw materials, to combine all of the producers for export of the industry, for as long as there are outsiders, price stabilization is difficult to attain. The Redwood Export Company, the Sulphur Export Corporation, and Copper Exporters, Incorporated, represent practically 100 per cent of those industries. The California Sardine Export Association, the Salmon Export Corporation, the Naval Stores Export Corporation and the Zinc Export Association have few, if any, outsiders. The new Steel Export Association of America controls from 75 to 80 per cent of steel exports. Other associations combine all or most of their industry within a certain geographical area. Thus the American Soft Wheat Millers' Export Corporation combines thirty-three milling companies in Maryland, Pennsylvania and adjacent states. The Northwest Dried Fruit Export Association includes twenty-four dehydrating and packing companies in Oregon, Washington and California. The American Rice Export Corporation includes fifteen members in Louisiana.

No sooner had the Webb act become operative in 1918 than numerous problems arose as to its practical application. One of these had to do with exporting to the Philippines and Porto Rico. Several associations desired to sell goods in those markets. Whether or not it was legal to do so depended on the interpretation given to the term "Territory" in Section 1 of the Act. It is there provided that export associations shall not produce, manufacture or sell for consumption or resale within the United States or any Territory thereof. An examination of the court decisions, etc., covering this point showed that export to those markets is not permissible under the Webb act.

Another problem which came up at different times and in varied form dealt with the question of price fixing. Do associations qualify under the Act whose activities consist exclusively or essentially in fixing export prices? The wording of the Act itself in this respect is not as clear as it might be. It merely provides that associations shall be formed for the sole purpose of engaging in export trade and shall actually engage solely in export trade. The words "export trade" are defined as "trade or commerce in goods, wares or merchandise exported or in the course of being exported from the United States." In the course of the debates in Congress on the Webb bill the proposed export associations were currently referred to as "selling agencies" and the opinion apparently prevailed in both houses that the

proposed export associations should sell goods and not operate merely as price-fixing groups. This view was upheld by leading attorneys and others, including Judge Webb, whose opinions were requested on this point. The Federal Trade Commission, without issuing a formal ruling, for a time held the same view. The assumption was that an export association as such should engage in exporting, that is selling, and that if the latter was being done by the individual members, while the association merely fixed prices, such an association did not comply with the Act. Moreover, it was felt that the control over mere price-fixing associations would involve administrative difficulties. Opponents of the Act claimed that associations of that type would readily lend themselves as a cloak for domestic price fixing and restraint of trade and would lead to a breakdown of the Sherman law.

The whole matter was eventually placed before the Federal Trade Commission for a definite ruling on December 13, 1923, by a committee of silver producers. The Commission held as follows: "The Act does not require that the association shall perform all the operations of selling its members' product to a foreign buyer. It would seem that an association may without necessarily involving conflict with the Act, engage in allotting export orders among its members and in fixing prices at which the individual members shall sell in export trade." The Commission's answer, not unanimous, was dated July 31, 1924.

That opinion has had a vital bearing on the subsequent formation of associations under the Act, and involved a very important change in policy. Although the wording of the opinion is not entirely clear, it has been taken for granted since then that price-fixing associations would qualify under the Act. The associations subsequently formed were for the greater part essentially price-fixing and not selling combines, the selling and exporting being done by the individual members.

A further important development, growing out of the aforementioned ruling of the Federal Trade Commission, has to do with the linking up of Webb associations with foreign combines or individuals, and thus becoming parties to international cartels. In the course of the above-mentioned ruling by the Commission, of July 31, 1924, it was held that: "There seems to be no reason why a Webb-Pomerene association composed of nationals or residents of the United States and actually exporting from the United States, might not adopt a trade arrangement with non-nationals reaching the same market, providing this market was not the domestic market of the United States and the action of this organization did not reflect unlawfully upon domestic conditions."

In view of the increasing number of international cartels since the World War, the far-reaching consequences of the Commission's ruling

can hardly be foreseen at the present time. How far export associations may go in this respect without violating the Webb law as well as the other anti-trust laws remains problematical, and may ultimately depend on the attitude taken by the courts, who up to the present time have not had occasion to pass on any problems connected with the Webb act.

Thus far the Federal Trade Commission has entered proceedings against one association, alleging a violation of Section 5 of the Federal Trade Commission act, and charging that the defendant party by reason of its policy and plan of business was not an association within the meaning of the Webb act. After a lengthy investigation the complaint was dismissed. One of the practices of this particular association to which exception had been taken was the fact that it did not itself export but sold its products through export commission houses. The Commission held that "the consummation of a sale within the United States, if the product sold is intended for, is actually marked for, and enters into export trade, is in the course of export within the meaning of the Act."

On another occasion the charge made against Webb export associations in general of engaging in dumping American goods in foreign countries in order to keep prices high to consumers in the domestic market was, upon investigation, found to be unwarranted.

Concern has been expressed at different times that the Webb act might be used for price manipulations detrimental to the public welfare. Insofar as export prices are concerned, price stabilization has been one of the main objectives of most associations. It has been successfully accomplished in those cases where the members of an association dominate the export business of their respective industry. In some instances even small outsiders have been able to disarrange price levels. Export price agreements are aimed at elimination of underselling and not at imposing excessive or monopoly prices on foreign buyers.

Regarding domestic prices, the Act itself contains provisions applicable to efforts to enhance or depress prices within the United States, and no complaints have been made thus far. It is quite conceivable, however, that the present tendency of bringing an entire industry into an association of large, trust-like corporations combining under the Act, and of coöperation with foreign combines may lead to arrangements injuriously affecting consumers' prices here and abroad.

For a time the Webb act was viewed with considerable alarm in foreign countries, particularly in South America and Australia. It was considered a trade weapon designed to aid American trusts in destroying foreign competitors and capturing world markets, and figured freely in tariff campaigns abroad. In European countries much stress

was laid on the alleged inconsistency of prohibiting combines within the United States but legalizing and promoting them when engaged in export trade, of protecting one's own citizens against monopolistic exploitation but giving the trusts free rein against foreigners. However, thus far, no complaints as to unfair acts on the part of Webb law associations in foreign countries have become known. On the contrary, the provisions of the Webb act requiring all associations to file copies of their agreements, lists of members and stockholders with a governmental agency, and placing them under governmental supervision has been quite generally regarded as a feature of the Act and as a forward step in placing international commercial relations on a higher plane. This plan has been followed in several foreign countries. The recent *Report of the Liberal Industrial Inquiry of Great Britain* recommends a similar procedure for Great Britain.

It is significant that until recently, outside of the lumber industry, few of the larger American industrial concerns whose products go into export trade, have made use of the Export Trade act. The main reason for this is that having well-established export channels of their own they were not in need of combining with competitors. Since the above-mentioned ruling of the Federal Trade Commission approving of price-fixing associations under the Webb act, a change has come about. It was hastened by the fact that overproduction became a serious problem in many industries, and the need for outlets to foreign markets made itself felt increasingly. Agreements as to minimum prices, uniform sales conditions, division of markets, etc., now became more desirable, and so it came about that some of the largest concerns in the sulphur, sugar, copper, zinc and lately the steel industries have taken advantage of the Webb law. In a sense this is a development out of line with the expectations of the early advocates of the Act, who had designed it as an aid to small American exporters.

During the decade that the Act has been on the statute books the need of amending it has been voiced several times. In most instances, however, such alleged need was expressed by professional writers, who apparently offered suggestions of all sorts without careful investigation or knowledge of the facts. They did not emanate from existing export associations, as was shown by inquiries made by the Export Trade Division of the Federal Trade Commission. Thus it was claimed that export associations should be permitted to operate shipping lines, to import goods, etc. As to the latter point, the only request of that kind came from an association which as a matter of speculation had exported blankets of an inferior quality and finding no market abroad wished to bring them back again to this country.

The matter of amending the Act, so as to allow importing, did

come up more recently, but in an entirely different connection. It was wholly alien to those who drafted the Webb law, and who restricted it in specific terms to export trade. The only change in the Act favored by some associations operating under it and by concerns who wished to avail themselves of it, dealt with the matter of price fixing, which was finally acted on by the Federal Trade Commission. A bill which Senator Fletcher introduced in the Senate contemplated a similar change.

The nearest approach to amending the Act was in 1928, in connection with the Capper-Newton bill. It would amend the Webb act so as to permit the formation and operation of associations for importing crude rubber, potash, sisal and other raw materials or products of nature, certified by the Secretary of Commerce to be of a character not made, produced or grown in substantial quantities within the United States or to be controlled by any foreign government, combination or monopoly. The bill (H.R. 8927, 70th Cong., 1st Sess.) was defeated in the House on April 6, 1928, following closely upon the announcement of the discontinuance of the British rubber monopoly, against which it was aimed principally.

In summing up the net results of the Webb law, as analyzed above, the fact stands out that the volume, value and diversity of commodities exported thereunder have increased steadily and appreciably during the decade of its operation. Moreover, a goodly number of concerns, large and small, located in every part of the country, and affiliated with representative industries, have availed themselves of the facilities of the Act. Furthermore, Webb associations have reported noteworthy practical benefits, in business policy and administration, in export merchandising and along financial, technical and other lines, attributable directly to concerted action as legalized by the Act.

While extravagant expectations of some erstwhile proponents have not been realized, the harmful consequences feared by its opponents have also failed to come true. In fact, the Act has in course of operation developed along certain lines—legal, economic and technical—which were not foreseen at the time of its enactment, and which may prove forerunners of further important developments.

Taken all in all, it seems fair to conclude that the Webb-Pomerene law has provided, thus far, a serviceable piece of legislation, and has within reasonable bounds accomplished what its name proclaims: "An Act to Promote Export Trade."

William Notz

Washington, D.C.

THE STOCK DIVIDEND QUESTION

Two years ago last December the United States Senate passed a resolution which read in part as follows:[1]

WHEREAS, It has become the usual practice of corporations in order to protect stockholders from the payment of income taxes, to declare stock dividends; and

WHEREAS, This procedure enables corporations to acquire competing plants, and in this way avoid the provisions of the anti-trust law; and

WHEREAS, In order to legislate upon the subject, the Senate should be fully informed as to the extent of this practice: Therefore be it

Resolved, That the Federal Trade Commission be . . . . directed to report. . . . .

The report of the Commission[2] (December 5, 1927), shows that it was able to discover 10,245 corporations that paid stock dividends in the period between January 1, 1920, and January 1, 1927 (the period of seven years immediately following the Supreme Court decision which held stock dividends not to be taxable under the federal income tax law).[3] With respect to nearly 5,000 corporations, the Commission was able to secure data full enough to make possible a fair comparison of the extent of stock dividend payments before and after the year 1920. The stock dividends of these 5,000 companies amounted to $543,000,000 in the seven years, 1913-19 and $4,777,000,000 in the seven years, 1920-26. That is, the volume of stock dividends seems to have been about nine times greater after the Supreme Court decision than before it. During the second seven-year period the total *cash* dividends paid by the corporations in question came to but $5,693,000,000. That is, the stock dividends of these corporations during the second period amounted approximately to 84 per cent of their cash dividends![4]

I

The opinion is widely held in the business world today that a stock dividend increases the wealth of a shareholder by the amount for which the new stock could be sold upon the market. This is an exceedingly pleasing conception, not only because stock dividends are now so very common, but also because they are often for large amounts such as fifty or a hundred or even a thousand per cent in one distribution. Even at low rates these dividends may mount up by reason of frequent

[1] Senate Resolution 304, December 22, 1926.

[2] Senate Document No. 26, 70th Congress, 1st session.

[3] *Report,* pp. 46-273, for list of these corporations.

[4] *Report,* p. 6. The economists engaged upon this report were Francis Walker and W. H. S. Stevens.

repetition. For example, the Cities Service Company (Delaware charter) has been paying stock dividends upon its common stock at the rate of 1-2 per cent per month (along with cash dividends at the same rate), from March 1, 1925, to the date of present writing.[8] The question whether stock dividends are income has been litigated in a hundred actions before the highest courts of the country. Perhaps they are income under some circumstances and not under others, this being the view taken in certain jurisdictions.

Since great confusion regarding the stock dividend exists both in lay and in professional circles, and since many of the fallacious ideas entertained with respect to these dividends are obstinate in the extreme, no apology is needed for beginning the argument with considerations more or less elementary. Let us assume that the financial condition of a certain corporation, the A. B. Company, is indicated, as correctly as may be, by the following balance sheet:

BALANCE SHEET I

Assets		Liabilities	
Real property, plant and equipment	$4,400,000	Capital stock	$1,000,000
Products on hand	900,000	Surplus (or undivided profits)	4,240,000
Investments (5,000 shares of stock of M. Q. Co.)	500,000	Bonds (or notes) outstanding	700,000
Accounts receivable	200,000	Accounts payable	140,000
Cash on hand and in bank	80,000		
	$6,080,000		$6,080,000

(Authorized capital stock: 60,000 shares, 10,000 being issued.)

For the sake of argument, let us postulate the following history for this company. It began its financial life a number of years ago by issuing 10,000 shares to subscribers and collecting from them in return a cash capital of $1,000,000 which it proceeded to invest in the properties and other requisites needed in its intended business. The company made good profits and adopted the policy of using much of these to improve and enlarge its properties. Thus, in the course of time, this restraint with regard to dividends permitted the development of the handsome surplus shown in the balance sheet.

In the instance of corporations whose shares have a par value, surplus can be defined as the excess of the net assets, or net worth, over the total par value of the paid-up and outstanding capital stock. That

[8] June, 1928. The record of this company prior to March, 1925, is also of interest. It paid stock dividends of 6 per cent in 1916, 6 per cent in 1917, 9 per cent in 1918, 12 per cent in 1919, and 15 per cent in 1920, and at the rate of 1¼ per cent monthly from January to June, 1921. From July, 1921, to February, 1925, there were also monthly dividends in a special type of stock scrip.

this states correctly the true nature of surplus will become clearer if we recast Balance Sheet I in the following form:

BALANCE SHEET I IN ANOTHER FORM

Assets of company as listed		$6,080,000
Liabilities to outside parties:		
Bonds	$700,000	
Accounts payable	140,000	840,000
Net worth of company		$5,240,000
Par value of capital stock		1,000,000
Excess of net worth over par (surplus)		$4,240,000

In the ordinary case the surplus is also rightly described as accumulated profits, the exception being found where the subscribers for stock pay more than par for it and so set up a contributed or premium surplus. For the A. B. Company (assuming its history as recited here), the following holds good:

Present net worth of company	$5,240,000
Original net worth (original contributed capital)	1,000,000
Accumulated profits (surplus)	$4,240,000

We hardly need give warning against the artless though persistent misconception that the surplus is a cash hoard. It does not reside in any particular class of assets. In the balance sheet before us, surplus is 53 times the cash on hand.

Suppose now that this company collects one-half of its accounts receivable and also that it sells two-thirds of its products on hand and gets for the latter $100,000 more than the value at which they were carried in the books. No other changes taking place, there results the exhibit below.

BALANCE SHEET II

Assets		Liabilities	
Real property	$4,400,000	Proprietorship:	
Products	300,000	Capital stock	$1,000,000
Investments	500,000	Surplus	4,340,000
Accounts receivable	100,000	Debt:	
Cash	880,000	Bonds	700,000
		Accounts payable	140,000
	$6,180,000		$6,180,000

Assets	$6,180,000	Shares outstanding	10,000
Debt	840,000	Shares authorized but unissued	50,000
Net worth	$5,340,000		

What is this corporation in a position to do in the way of paying dividends? As a *matter of law*, the maximum dividend permissible

would be **$4,340,000 or 434 per cent; and this could be a cash or a stock dividend, or a combination of the two. As a *matter of finance,* a cash dividend in excess of $880,000 is out of the question, but a stock dividend of the full $4,340,000 par of new stock is possible. The corporation may very well continue with a policy of generous cash dividends without any distributions of free stock. We must bear in mind that great numbers of successful corporations do not indulge in stock dividends, and that such dividends are not an inherently necessary accompaniment of the accumulation of large corporate properties.**

A stock dividend is a distribution by a corporation of fully-paid and non-assessable stock *in itself* to its shareholders pro rata free of charge. Each shareholder receives that portion of the new stock issued which is the fraction of the old stock held by him. Although new shares are "distributed" the surplus property of the corporation is in no way or sense "distributed." That the dilution of the stock by passing out new shares free of charge, shall be called a "dividend," is now a fixed usage; but this usage is in truth a terminological blunder of the first magnitude, and one which has virtually precluded clear thinking about the subject on the part of the general public.

The standard case of the stock dividend is one in which new shares of common stock are distributed upon old common, both having par value, the two classes of stock becoming after the dividend indistinguishable in respect to voting and dividend and other rights, and in respect to liability. In this paper we shall not discuss stock dividends payable in preferred or upon preferred, or those payable in or upon non-par shares.

Suppose now that the A. B. Company pays a stock dividend of 50 per cent. The effects upon the corporation's financial condition will be indicated by the changes produced in its balance sheet. Thus we have:

Balance Sheet III

(II as altered by a 50 per cent stock dividend)

Assets		Liabilities	
Real property	$4,400,000	Proprietorship:	
Products	300,000	Capital stock	$1,500,000
Investments	500,000	Surplus	3,840,000
Accounts receivable	100,000	Debt:	
Cash	880,000	Bonds	700,000
		Accounts payable	140,000
	$6,180,000		$6,180,000
Assets	$6,180,000	Shares outstanding	15,000
Debt	840,000		
Net worth	$5,340,000		

(1) The issue of 5,000 new shares, having a par value of $500,000, has necessarily increased outstanding capital stock to $1,500,000. (2) The company's net worth has not been affected; for the company has neither received nor given up assets, and it has neither incurred nor paid off debt. (3) Surplus has shrunk by $500,000 becoming $3,840,000. This has been a *bookkeeping necessity,* because capital stock has encroached upon the unchanged net worth and has reduced the excess of the latter, and this to the extent of $500,000. The cut in surplus has also been a *legal necessity.* The stock dividend is lawful only when supported by a pre-existing surplus at least equal to the par of the new shares; and it may be lawfully carried through only if accompanied by the cancellation of an amount of surplus equal to this par. This cancellation, in the view of the law, pays for the new stock. In general, we say, the effect of a stock dividend is to "capitalize" an amount of surplus equal to the par of the new stock.

If the 50 per cent dividend just considered were to be in cash instead of in stock, the effects would be very different. The company would actually alienate $500,000 assets, while its capital stock would remain unchanged. Surplus would be pinched down to the extent of $500,000, this time by reason of the shrinkage of net worth; whereas in the former case the effect upon surplus was produced by the expansion of capital stock. After a cash dividend of 50 per cent, the balance sheet would take this form:

Balance Sheet IV
(II as altered by a 50 per cent cash dividend)

Assets		Liabilities	
Real property	$4,400,000	Proprietorship:	
Products	300,000	Capital stock	$1,000,000
Investments	500,000	Surplus	3,840,000
Accounts receivable	100,000	Debt:	
Cash	380,000	Bonds	700,000
		Accounts payable	140,000
	$5,680,000		$5,680,000

Assets	$5,680,000
Debt	840,000
Net worth	$4,840,000

Since the surplus inevitably contracts by the amount of a cash dividend, it is a common expression that cash dividends are paid out of surplus. In a manner of speaking, stock dividends are also paid out of surplus. These phrases tend to confuse matters. We must bear in mind that cash dividends are paid out of the assets of the corporation and stock dividends (dividends so-called) are not. If a corporation pays out

assets, it reduces its surplus. If it increases its capital stock, by diluting it with free stock, it reduces its surplus. But the two actions are vitally different and not essentially similar as some seem to think.

We are not concerned here with the mere formalities and conventions of bookkeeping. We are dealing with the actualities of the financial condition of the corporation. The balance sheet is the means of exhibiting these.

II

The question whether a stock dividend is income has come before the courts in two principal classes of actions. These are (a) the remainderman and (b) the income-tax cases.

Remainderman cases. There are perhaps a hundred stock-dividend remainderman cases in the records of the highest courts. Suppose John Smith's will leaves to a trustee an estate that consists, in whole or in part, of stock in the A. B. Company. The trustee is instructed to pay the income to Smith's widow during her life, but to preserve the capital or "corpus" of the property for delivery to some other named heir upon the death of the widow. The widow is here conveniently known as a life-tenant and the other heir as a remainderman. The will may say simply that the "income" is to go to the widow. Perhaps the estate comprises numerous properties; and the will assigns to the widow "the net rents, issues, income, and profits." If it states that she is to have "the dividends" or "all dividends," the problem will be altered or complicated because it now becomes arguable that Smith's intention was to include stock dividends whether or not they are income in their own true nature. But often the case will turn upon the word "income."

There are, let us say, 100 shares of A. B. stock in Smith's estate at the time of his death. Later on, but during the life of the widow, the company pays a stock dividend of 50 per cent which is received by the trustee. Do the 50 new shares go to the widow or to the remainderman? The courts have decided both ways, and many of them stand today in diametrical opposition. Under the so-called Pennsylvania rule, the decision depends upon what portion, if any, of the surplus "capitalized" by the stock dividend, was accumulated by the corporation before the death of the man making the will. The main question usually takes the form: Is the stock dividend *income* or is it a part of the *capital* or *corpus* of the estate?

Income-tax-cases. Under an income-tax statute, must the shareholder pay a tax upon his stock dividends? If so, how much income is there? The federal income-tax statutes have given rise to a number of stock-dividend cases, in which the Supreme Court has consistently held that these dividends cannot be taxed as income. The story leading up to Eisner *v.* Macomber, the chief of these cases, is in the main as follows.

The original constitution of the United States forbade Congress to impose *direct* taxes without apportioning them among the several states in accordance with population. Income taxes were declared direct taxes by the Supreme Court many years ago. In time the Sixteenth Amendment was passed, giving Congress the power *to tax incomes, from whatever source derived, without apportionment among the states.* Under this amendment the federal income-tax law of 1913 was passed. This statute did not mention stock dividends; but the federal officers nevertheless collected taxes upon them. Their action was sustained by the lower federal courts but was condemned upon appeal. Meanwhile, in the Revenue act of 1916, Congress declared that a stock dividend shall be considered taxable income to the amount of its "cash value." This clause of the act of 1916 was found unconstitutional in Eisner *v.* Macomber, which was decided in 1920 (252 U. S. 189). The court's declaration was that Congress cannot tax stock dividends under the authority of the Sixteenth Amendment, because stock dividends are not income. So far as this decision goes, the power of Congress to tax stock dividends is not declared to be non-existent. The point is that this power cannot be inferred from a grant of the mere power to tax incomes, and is not conferred by the Sixteenth Amendment and under its conditions. Naturally Congress has not since this decision made an effort to tax stock dividends on a plan apportioning the tax among the states in accordance with population.

The majority opinion in the Macomber case (four justices dissented) holds that:

> A stock dividend really takes nothing from the property of the corporation, and adds nothing to the interests of the shareholders. . . . . The proportional interest of each shareholder remains the same.

This language is taken from the court's own decision in Gibbons *v.* Mahon (136 U. S. 594), a remainderman case of 1890. Continuing:

> A "stock dividend" shows that the corporation's accumulated profits have been capitalized. . . . . Far from being a realization of profits of the stockholder, it tends rather to postpone such realization, in that the fund represented by the new stock has been transferred from surplus to capital, and no longer is available for actual distribution.

Again:

> The government contends that the tax "is levied on income derived from corporate earnings," when in truth the stockholder has "derived" nothing except paper certificates which, so far as they have any effect, deny him present participation in such earnings. It contends that the tax may be laid when earnings "are received by the stockholder," whereas he has received none; that the profits are "distributed by means of a stock dividend," although a stock dividend distributes no profits.

We regret that we cannot quote further from this very able opinion.

It should be said that the court states that any *profit made from the sale* of the dividend stock would constitute taxable income.[6]

Justice Brandeis offered a lengthy, and in the present writer's view faulty, dissenting opinion. Early in this we find the startling declaration that:

> A stock dividend is a means by which a corporation can keep accumulated profits for corporate purposes, and yet, in effect, distribute these profits among its stockholders.

Justice Clarke concurred in the opinion of Justice Brandeis.

Justice Holmes dissented from the majority in a very brief statement to the effect that the purpose of the Sixteenth Amendment was to get rid of nice questions and that it was doubtless within the intent of the people that Congress should have power to tax stock dividends as income. Justice Day concurred in this.

After Eisner *v.* Macomber there were of course no further attempts to collect federal income taxes on stock dividends. Indeed in the Revenue act of 1924 [section 201 (f)], Congress expressly exempts these dividends from income taxation, though in this same place it very properly provides for the taxation of any cash passed over to the shareholders by means of the evasion of redeeming stock given out as a stock dividend. The issue of stock as a dividend associated with the redemption of this stock in cash, is obviously in final effect no stock dividend at all but merely a cash dividend.

A few words will be in order upon the handling of the stock dividend—income question in some of the states. The Massachusetts income-tax law of 1916 expressly declared dividends from corporation stocks to be taxable at 6 per cent, but spoke of dividends in general without making mention of the special case of stock dividends. Although, for the purpose of determining the rights of remainderman against life-tenant, the supreme court of the state had already held stock dividends not to be income, under this statute the court held (1917) that these dividends were income for taxation purposes. But in 1921 the legislature proceeded to change the income-tax law so as to exempt "stock dividends paid in new stock" from taxation.[7] A New York statute of 1926 exempted stock dividends from state income-

[6] What such a profit will amount to, if made, will depend upon what the old shares (and their accompanying new shares received as a free dividend) have cost the seller. The new shares are not taxable as an income flow in themselves. There is no taxable income unless shares are (a) sold and (b) sold at a profitable price. The conception that the stock dividend automatically and of its own force produces an opportunity for profitable sale of shares is a complete fallacy.

[7] Chapter 62 of the General Laws of Massachusetts 1921, Section 1, b. In this year the Massachusetts legislature added to its statutes in various places clauses forbidding railway, street railway, aqueduct, water, gas and electric, and telephone and telegraph companies, to pay stock dividends or to distribute to their shareholders the proceeds of the sale of new stock.

taxation and made this exemption retroactive to January 1, 1919. The Wisconsin statutes of 1927 also declare that a dividend paid by a corporation in its own capital stock shall not be taxable as income though "the sale of such stocks may result in a gain or loss for income-tax purposes." The recent acts in New York and Wisconsin are very clear in making fully taxable cash dividends conveyed to the shareholders by means of the evasion (already mentioned) of redemption of dividend stock.

III

We fear it is out of the question to give the term "income" a single and unchanging definition good for all purposes.[8] In the present discussion we shall restrict the word to so-called money-income, but shall take the latter to cover the receipt of things or rights having a money value, as well as the receipt of actual money itself.

It is not necessary to settle all problems of the nature of income in order to be in a position to declare that stock dividends are not income. Our thesis will be that under no possible reasonable or well-considered definition of income can these dividends be called income.

There is an argument to the effect that not even the cash dividend is income. Thus if the A. B. Company pays $60,000 in cash to its shareholding body, it is urged that there will be $60,000 less of assets held by the corporation, that these assets are really and ultimately owned by the shareholders, and that the shareholders' gain of $60,000 in their own hands is exactly offset by their loss of $60,000 in corporation assets. And so the cash dividend seems not to constitute true income after all. In this view the flow of income to the shareholders must take place when the corporation itself makes profits from its operations; for it does not take place when these profits are subsequently divided up.

Let us argue this matter briefly. If the A. B. Company made $600 last year as your share of its profits, but declared no dividend, and this year lost the whole of this in its business, is it a tenable view that you have had an income of $600 and a subsequent loss of the same amount? We think this is a very forced and unrealistic notion. Funds remaining with your corporation are subject to the claims of its creditors and the risks of its business and the policy of its directors. They are not in your control. You cannot spend them or pay your debts with them. Their receipt by the corporation cannot be called income to you under any reasonable interpretation of the word. This forces us to the conclusion that it is upon the occasion of the passing over of the profits to the shareholders that income to the latter arises, which is a way of saying that cash dividends (at least cash dividends from

[8] Written by one who has the greatest admiration for the work of Irving Fisher both on the terminology of and the nature of income and capital.

profits)[9] are income to the shareholders despite the fact that they do not increase the shareholders' net worths or net estates.[10] Whatever in the wide world of ideas income may mean, reasonably, we hold steadfastly that cash dividends received by shareholders out of corporation profits are assuredly an example of income to them.

Turning now to dividends payable in stock, we first ought to take warning against the classifying together of two very different operations. The A. B. Company, according to Balance Sheet I as given on an earlier page, holds 5,000 shares of stock in the M. Q. Corporation and is in a legal as well as financial position to distribute these shares as a dividend upon its own stock to its own shareholders. Such a distribution is not rightly to be called a "stock dividend" but strictly a "property dividend." It assuredly would be income to the recipients. The Supreme Court has so held—in the taxation case, Peabody *v.* Eisner (247 U. S. 347, 1917). The true stock dividend is one payable in the dividend-paying company's own stock; at any rate we shall in the present discussion assume this as a matter of definition.

Consider next then a dividend of 50 per cent paid by the A. B. Company in its own stock. You, having say 100 old shares, will receive 50 new ones; and assuredly these new ones will possess a cash value in the market. Have you received income, money-income, income measurable in money? Before making answer let us examine into the effects upon the value of the shares, which we should expect to follow as the logical consequence of the payment of the stock dividend.

(A) We shall deal with the matter first upon the assumption that the value of shares is determined by the so-called equity per share. The table beneath is made up from Balance Sheets II and III.

	Balance sheet II		Balance sheet III (II as altered by a stock dividend of 50 per cent)	
(a) Net assets of corporation	$5,340,000		$5,340,000	
(b) Shares of stock outstanding		10,000		15,000
(c) Equity per share (a÷b)	534		356	
(d) Number of your shares		100		150
(e) Your equity (c×d)	53,400		53,400	

[9] Whether cash dividends drawn not from profits but from the original capital fund of the corporation, are to be regarded as or called income, is a question which we may without injury to the present discussion set to one side. The general opinion would probably be that they are not rightly to be called income.

[10] The fact that the shareholder's own net worth is not increased by the mere operation of the payment of the dividend to him, is evidenced by the fact that at the moment a stock goes *ex dividend* its market price drops by the amount of the dividend.

The effect of the stock dividend is to decrease the equity per share in inverse proportion to the increase of the number of shares outstanding. In our illustration, the number of shares is increased to three-halves of what it was, and the equity per share is cut to two-thirds. Your old interest was $53,400 (100 shares at 534); your new interest is $53,400 (150 shares at 356). After the stock dividend your interest is evidenced by:

50 new shares at $356	=	$17,800
100 old shares at 356	=	35,600
		$53,400

The stock dividend produces and can produce no increase in the equity belonging to your block of stock. If governed by the equity, the new shares have a value of $17,500; but their very issue causes a shrinkage in the value of the old shares by exactly $17,500.

(B) It may be urged with justice, however, that the balance-sheet equity is a poor index of the value of stock; that the better index is the technical present-value of the expected revenues to flow to the stock, this present value being taken at the rate of interest reasonable in consideration of the degree of risk. Surely the value of stock has a closer dependence upon the future earnings of a company, though these can only be estimated roughly, than it has upon the appraised value of that corporation's properties.

Now the stock dividend has in general no effect upon the assets employed by a corporation or the manner and efficiency of their employment. It has no effect upon debts, control, management, personnel, methods, costs, prices, markets, or sales; and thus works no changes in earnings. The earnings of the business cannot be enlarged by the mere technical financial operation of capitalizing the surplus or diluting the stock. To this generalization there may be a few minor and haphazard exceptions. There are possibilities of a few lesser and uncertain reactions of a stock dividend upon the business and earnings of the corporation in special cases, *e.g.*, perhaps some favorable publicity results; perhaps in the case of a bank a wider distribution of stock is produced and this may bring in more depositors. Any stockholder has exactly the same fraction of the total beneficial interest in the corporation after the stock dividend as before it. If he has 100 shares out of a total of 10,000, or 1 per cent of the proprietorship, and there is then paid a stock dividend of 50 per cent, he will have 150 shares out of 15,000, which is still of course 1 per cent. If the earnings of a corporation are the fundamental factor controlling the value of any given shareholder's interest in the association, a stock dividend is a nullity with respect to this value because it neither increases

corporation earnings nor the given shareholder's fraction or portion of right or expectation therein.

But, it will be said, the stock dividend may lead the corporation to the policy of reducing the fraction of its earnings that it reinvests in its business and increasing the fraction that it appropriates as dividends to the shareholding body, which will mean, certainly for the time being, an increase in the amount of cash received by each individual shareholder per income period. The reply to this is that (theoretically at least) the stock dividend is no cause or condition of the change of policy with regard to the disposal of earnings, but a mere gesture; that the change of policy in question can be made with or without an accompanying dilution of the stock. This point is subsequently discussed at greater length.

The central thesis of the present essay is that, apart from certain curious practical influences of minor importance which it shall be our duty to mention and explain, and apart from certain irrational speculative consequences (traceable fundamentally to ignorance), a stock dividend cannot increase the value of a shareholder's interest in a company, whether value be taken as book value, capitalized value, or even market value. It is in connection with market value that the irrational speculative influences which we have mentioned operate. In short, a stock dividend does not increase a shareholder's net estate. This however is *not* the reason why we assume to deny to stock dividends the character of income! The same reason holds also for cash dividends, since, as we have shown, they likewise fail to increase the recipient's net estate.

We can state our point clearly without employing the word income, but this word is bound to be used so extensively in business and legal circles in the discussion of stock dividends that to drop it wholly from the argument would be an unwise evasion. Nevertheless anyone who has even a cursory knowledge of the literature of the income question will concede that we cannot be expected to do anything of consequence with that question in an essay so short as this one. Let us simply assume a definition of *income*. It shall be one so general in terms that it will leave any number of questions unsolved. While not undertaking to defend it, we believe in it and desire to find what will come out of it for the particular problem in hand. Suppose we take it that a flow or transfer of money or of money's worth from one legal person to another (in excess of any money or money's worth given up by the recipient in exchange) is income. Why, one may ask, are we to say *legal* person? A corporation is a legal person while a partnership—at least under the prevailing doctrine—is not. In economic reasoning are we to take one of these to be an entity distinct from

its members and the other not? If the reader prefers to do so, he may substitute for legal person, say, business person or separate business entity, and still get the result that corporation cash dividends are income and stock dividends are not.

Under our definition, the cash dividend from profits (the ordinary going cash dividend) is assuredly income to the shareholder. Money flows from the corporation (one legal person) to the shareholder (another legal person), and the flow is a real one (and not as in the case of the stock dividend a merely mock flow of value) for the corporation gives up the money and depletes its assets by the amount of it and the shareholder receives it and has its assets increased by the amount of it. A distribution by the A. B. Company to its shareholders, of the stock it owns in the M. Q. Corporation (a property dividend) in the same way and sense gives income to the A. B. shareholders, the transfer being in money's worth instead of in money. The true stock dividend of A. B. Company to its shareholders is a radically different thing. It is not income; because it leaves every shareholder with precisely the same proportionate interest in precisely the same business assets and prospective earnings, that he had before. It merely dilutes the stock, in the sense of dividing the proprietory interest into a larger number of smaller units. If this operation affords income, so does the giving of five white counters by the banker at a game of cards in exchange for one red one, afford income, even when five whites equal one red. The new stock that passes to the shareholder will have a market value in his hands, but there is only a mock transfer of value to him. The corporation gives up no assets, gives up no value.[11] There is merely an apparent reception of value by the shareholder. True, the question is likely to be raised, if the shares the stockholder gets have value, why does he not receive value when he receives these shares. The answer is (as a matter of general principle) that the old shares automatically shrink in value by the worth of the new shares. We say as a matter of general principle, because the exact shrinkage required by theory will not always be experienced in actuality. There are minor disturbing influences at work in the practical world. We admit the existence of these and propose to discuss them.

IV

Do we appear to make it out that the payment of a stock dividend is virtually a nugatory act? We hasten to concede a number of real effects.

(1) By converting surplus into capital stock, it makes conclusive

[11] With the person who maintains that the unissued stock of a corporation has value in its hands and constitutes one of its assets, argument for the view upheld in this essay is doubtless futile.

the appropriation, to the uses of the business, of a fund of assets equal to the amount so converted, a fund of assets which otherwise would be available (at least in a legal sense) for distribution among the shareholders. This committal of surplus to capital should in normal course have a beneficial effect upon the corporation's standing with creditors and upon its power to borrow. But do not make the cardinal error of assuming that the stock dividend is *necessary* to the permanent retention of surplus assets in the business. If stock dividends were illegal or impossible, the building up of permanent surpluses employed in the business would not cease. Indeed innumerable corporations that employ great surpluses refrain from stock dividends.[12]

(2) If shares that have a high market value (for example, $500) are brought by a sufficiently large stock dividend to an ordinary level (perhaps $100), the price is said to be brought within the trading range. This will in general be favorable to a more active market and wider distribution of the stock. Perhaps these effects are desired by the management. If so, here is a motive for a stock dividend, although a mere split might be used instead, if the only object is to bring the price of the share into a lower trading range.

(3) A third real effect is to cut the percentage rate of future cash dividends. Perhaps the directors of a corporation having a capital stock of $1,000,000 wish to distribute $450,000 or $500,000 of annual earnings. Dividend declarations summing up to 45 or 50 per cent per annum will be required. This illustration could easily be matched in real life. If resort now be had to a 900 per cent stock dividend, the stated capital will become $10,000,000 and a cash dividend rate of 4.5 or 5 per cent will suffice to get the same sums per year over to the shareholding body. Since high percentage declarations of cash dividends may occasion editorial attack, competition, or governmental investigation, it may be as well to get this rate down to inconspicuous figures. If the device works, the editors, competitors, and government are, in a manner of speaking, hoaxed, but hoaxing may be good business.

(4) If a corporation is under a law imposing so-called double liability upon the shareholders (as are the national banking companies), the stock dividend will presumably increase the contingent liability of each shareholder for the debts of the company.

(5) Sometimes a corporation is subject to a tax (usually small) based upon the par of the capital stock outstanding. A stock dividend will increase such a tax.

[12] We have heard of a corporation, however, which capitalized a part of a great surplus (by a stock dividend), to prevent a possible clamor of the stockholders for larger real or cash dividends than the management thought wise. So the shareholders got a stock dividend, an imitation dividend.

(6) A corporation's management may desire to increase the cash distributions to the shareholders by a comparatively small amount. A stock dividend may be a convenience for accomplishing this purpose. Thus, instead of raising the cash rate from 6 per cent to 6.3 per cent, the management may pay a stock dividend of 5 per cent and continue the old rate of cash dividends of 6 per cent upon the now augmented par value, and secure precisely the same real result.

(7) We have heard of a corporation that was truly so badly off it could no longer pay its customary cash dividends. So it declared and paid a stock dividend, doubtless to the shareholders' applause. The directors thus played upon an almost ineradicable popular illusion, or perhaps they shared the illusion. Thus one use of a stock dividend is to give a sop to discontented shareholders. Another is to stir up a more or less false speculative enthusiasm. But a stock dividend may of course be a genuine bullish point because, though not income itself, it may be an obvious preparation for increasing the absolute sums of cash to be distributed.

V

Let us now attend to certain questions and arguments from the opposition.

(1) *Is there not income to the shareholder if the stock dividend has, as a matter of practical fact, the effect of raising the market value of his interests?* The effect in question may follow from the mere bringing of the price of the shares within the trading range, or again from the influence (more or less rational) of the stock distribution upon mere speculative sentiment. We are prepared to admit that in this manner a stock dividend *may* increase each shareholder's estate, but please observe the following. (a) A mere split of the shares (for example the calling in of a share of a par value of $100 and the issuing in its place of four at $25) is capable in bullish times of doing the same thing. Is a split of the shares a transfer of income from the corporation to its shareholders? (b) Measured in dollars, the benefit to the shareholders will in principle have no relation to the value of the new shares issued. It might perhaps be one one-hundredth of this value, or it might be nothing at all. Those who think stock dividends are income and who still think they ought to be taxed as such, will (almost of necessity) maintain that the amount of the income is the value of the new shares. (c) How absurd it would be to use the minor benefit, which we are now discussing, as a justification for an income tax upon the market value of the dividend stock, will appear from the following illustration. In the year 1912, Standard Oil of Indiana paid a stock dividend of 2,900 per cent. The actual or historical market quotation for the stock of this company was $6,000 a share before this event and

a trifle over $200 after it. If Smith had 10 old shares, worth $60,000, he received 290 new shares. This brought his holdings to 300 shares, which, at $200 each, were worth just $60,000 again. If the opinion of Justice Brandeis in the Macomber case should prevail, this Smith in our illustration would have to pay an income tax upon $58,000 or 58/60ths of his capital interest, and this because the corporation passes out some paper certificates, by way of the capitalization of a large amount of its surplus, and thus removes permanently the possibility of future real dividends from this fund. If under the influence of the stock dividend, Smith's interest were to increase to $61,000 in market value (something that might or might not happen) the gain of $1,000 will hardly justify a tax levied on the theory that there has been an income of $58,000 to Smith!

In the event that the estate of the Smith of this illustration is increased by $1,000 as a result of the stock dividend, the gain does not come out of the corporation's assets. The nature of the benefit gives us no grounds for classifying it as income. If a great amount of free advertising, enjoyed by a corporation for some reason, increased the value of its shares, we could not on that account say that the advertising was income to the shareholders. The analogy is not very close but we think it is truthful.

(2) *Does not the fact that the dividend-stock can be sold for cash show that its receipt is income?* This is perhaps the least difficult of the questions we have to meet. Suppose Brown has 10 old shares, worth, at $300 each, the sum of $3,000. Suppose now he receives 10 new shares as a stock dividend of 100 per cent. These 10 new shares should have a value of $150 each and should be salable as a block for $1,500. We shall have to concede as a matter of course that the new stock is salable. But if Brown sells these shares he simply sells out one-half of his interest in the corporation. In the absence of the stock dividend, he could have done the same thing by parting with 5 old shares at 300 for a total of $1,500. The stock dividend adds nothing to and subtracts nothing from the shareholder's opportunities to sell out some fraction of his interest, except for such lesser and indirect and sometimes irrational effects of stock dilution upon the marketability of stock as we elsewhere admit.

If the supposition is altered so as to make the stock dividend one of 10 per cent instead of 100 per cent, there is nothing changed in principle. If Brown, having 10 old shares, receives a dividend of 1 new share, he can of course sell this and have 10 shares left. But these 10 shares no longer represented his original interest; instead they are but 10-11ths of it. The logic is not different for a 10 per cent stock

dividend from what it is for one for 100 per cent.[13] This seems nevertheless too deep for some of our citizens.

(3) *The old rate of cash dividends continued on the augmented capital stock.* Jones has been receiving cash dividends at the rate of 6 per cent per annum. Along comes a stock dividend of 100 per cent. If now the company maintains the 6 per cent cash rate unchanged, Jones and his fellows find their annual cash dividends doubled. The case is very common and greatly encourages the belief that stock dividends add to the shareholder's wealth and are income. The truth is that while the stock dividend may precede the increase in the distribution of cash, it is neither a *cause* nor a *condition* of the thing. The simplest way to get double money over to the shareholders would be to raise the cash dividend rate to 12 per cent. If the company did this first and then later on diluted the capital stock so as to cut the cash rate to 6 per cent, we who are rational about stock dividends would recognize an old acquaintance—the case of doubling the stock and cutting the income per share in half. Giving priority in time to the stock dividend makes no essential change in the case. The shareholders could have their doubled income, at a 12 per cent cash rate without the stock dividend, or at a 6 per cent cash rate with it. If stock dividends were illegal or impossible, corporations would of course be restricted to the one method of increasing cash disbursements to the shareholding body, namely the method of raising the dividend rate. As things are now they have an alternative method, that of diluting the stock while retaining the dividend rate. When the latter method is adopted, the stock dividend is neither cause nor necessary condition precedent; it affects only the nominal rates involved. As for income taxation, when the cash dividends double (measured in dollars regardless of the dividend *rate*) taxation doubles, as it ought to.

(4) *Market price of shares resumes upward course after stock dividend.* Suppose M. & N. is at 200. There is a stock dividend of 50 per cent and the shares fall to 133 as they ought to, but within six months they are back to 200. Has not the stock dividend turned out to be income? Logically the question is hardly worth arguing; still, many are deceived by this case. If there had been no stock dividend, the old shares would have gone to 300. The 50 per cent stock dividend intervening, shares are instead at 200.

But, some one may say, this argument leaves out of account the beneficial effect produced, in the world of actuality, by the mere cutting down of the size (value) of the shares. We have already con-

[13] Compare the Cities Service Company's stock dividends of 1-2 per cent each month for the last 36 months, previously mentioned. The receipt of this stock is not income even if salable or if sold.

ceded that (a) by bringing the price of shares within the trading range, and (b), by exciting irrational speculative enthusiasm, stock dilution may of its own mere practical force lift the market value of the whole proprietorship in the corporation or any portion of it. Stock dilution *may* produce this happy effect, but there is no certainty that it will do so. If a corporation is losing ground in its business or if it is approaching insolvency, there is little likelihood that stock dilution will help it or its shareholders. When the general conditions of industry and the markets become bearish, stock dilution as a policy will probably lose most of its magic. At any event, whatever benefits the shareholder does get from the stock dividend, are not at all measured by the value of the new shares received. Indeed they will ordinarily not amount to a small fraction of this value. The present essay succeeds in one of its chief purposes if it makes this truth clear.

(5) *The stock dividend as a supposed evasion of the income tax law.* It is the thought of some that corporations substitute the non-taxable stock dividend for the taxable cash dividend, as a means of getting the benefits of the corporation's earnings over to the shareholders without allowing the government its proper revenues therefrom. This points toward what is possibly a real offense, but badly misconceives its nature. To illustrate: During a period when there is a high tax rate on personal incomes, the Z corporation is well able to pay handsome cash dividends, but in the interest of its wealthy stockholders it withholds these and accumulates a great surplus. Later, when tax rates are lower, this pent-up reserve can be released as cash dividends. Thus, much may be saved the stockholders at the expense of the government. But we are neglecting one element of the story, as our opponents will have it. While the cash dividends are being held up, stock dividends, are paid as a *substitute* (this is not our word). These stock dividends, it is argued, ought to be taxed at the prevailing high income-tax rates and thus ought to be declared income for taxation purposes.

We meet here in slightly altered guise, the irrepressible fallacy that the stock dividend passes something of value from the corporation to the shareholders. The true remedy for the abuse of withholding cash dividends (assuming for the sake of argument that it is an abuse) would be the taxation of the impounded earnings as or when they are impounded. The statement of Justice Brandeis that the stock dividend is a means whereby a corporation both retains the profits for use in the business and distributes them among the shareholders, is nonsense. If partnership shares were transferable and were represented by certificates, and if White, Brown, and Black, each have a third interest in a partnership firm, we ask in all seriousness if the giving to each of

two shares out of six, in place of one out of three, will increase the wealth of White, Brown, or Black. Is two-sixths of something more than one-third of it? Can you make two-sixths more than one-third by selling one of the sixths?

Taxation of stock dividends as a remedy for the abuse of impounding earnings, not only misses the bull's-eye; you may fairly say it misses the whole target. All the corporation has to do to avoid this remedy is to forego the declaration of stock dividends. If stock dividends were taxed at all heavily they would be of course almost wholly abandoned. Moreover it would be wrong to tax the stock dividends as income, for they do not pass anything of the impounded earnings to the shareholders. They do not even pass a new or additional interest in these earnings. The notion that the new (or dividend) stock represents these earnings in such a way as to convey a new interest in them to the shareholders, is an abject fallacy. The old plus the new shares represent exactly the same thing that the old shares alone represented before the stock dividend. If the reader has a line of reasoning at variance with this, let him test his reasoning upon the partnership case, the case of White, Brown, and Black just mentioned.

The theory that the *sale* of the new stock will enable the shareholder to get the benefit of the impounded earnings has already been disposed of.

It is worth remarking that in the Revenue act of 1924, section 220, Congress provides that "if any corporation . . . . is availed of for the purpose of preventing the imposition of the surtax upon its shareholders through the medium of permitting its gains and profits to accumulate instead of being divided or distributed," . . . . the net income of this corporation shall be subject to a tax of 50 per cent per annum. We are reliably informed that this section is largely ineffectual, having proved unworkable in practice in most cases. It has however the philosophical merit of striking directly at the offense of impounding earnings to frustrate the income tax laws, while the taxation of stock dividends has, as a remedy for this, no merit philosophical or practical.

(6) *The redemption of dividend stock in cash: an evasion.* After issuing stock as a dividend, a corporation may proceed to redeem this stock in cash. The natural order in time of these two steps is (a) stock dividend and (b) redemption of stock; but they might of course be reversed for the mere purpose of obscuring what is going on. The whole operation is obviously enough nothing but the payment of a cash dividend, and any attempt to evade by this trick an income tax on cash dividends should assuredly be foredoomed to failure where the facts are known and understood. The outward and inward passages

of the stock nullify each other, and the outward trip of the cash to the shareholders constitutes income to them. The statutes of the federal government and those of New York and of Wisconsin (in connection with their clauses exempting stock dividends from income taxation) take the trouble to nail this evasion. The discerning reader will perceive that we have here no exception to the principle that stock dividends are not income. To be sure the two-step operation under consideration results in income to the shareholders; but it is the second step alone which produces or constitutes the income flow.

(7) *A cash dividend in conjunction with subscription rights.* Suppose that the Y company declares a cash dividend of 100 per cent and at the same time offers the shareholders the right to use this cash to purchase new shares of stock at par. The shareholders, however, are given the option of retaining the cash. But financial good sense will leave them no real choice if it is a case (as we may assume) where, after the whole operation is cleared away, the shares will have a value greater than par. All the shareholders use the cash to take stock. Have they received income? This is merely one of a large number of double or two-stage operations than can be invented and put up to us as puzzlers, or supposed puzzlers. The cash goes out to the shareholders and back to the corporation; and the new stock goes to the shareholders without cost to them and without effect upon the assets or debts of the corporation. On the assumption stated, namely that *all* shareholders exercise the right to take stock, the effect of this double operation is precisely that of a stock dividend. Therefore we are forced to declare that at the end of this business the shareholders have not received income. The Supreme Court of the United States has held, however, that if the shareholders have been given the option of retaining the cash and thus have had it once in their control, they have received income and are taxable upon it, even if they give the cash back to the corporation for stock. A layman might think it ought to be open to the shareholder to show that he and all other shareholders in fact adopted the option of taking stock, to the end that the court could declare there had been no income; but possibly there are good technical legal reasons against this. Under the court's doctrine that the outward flow of the cash constitutes taxable income, this particular plan of putting out a stock dividend will of course never be followed. This is a result which we may accept with equanimity.

(8) *Purchase by the corporation of some of its outstanding stock to be distributed later as a dividend on the remaining stock.* If, says Justice Brandeis, a corporation uses available cash to buy up some of its own outstanding stock and subsequently decides to distribute this stock as a dividend upon the remaining capital stock still out-

standing with shareholders, can anyone deny that this stock dividend would be income to the shareholders? In the mind of one who puts this question, the case is evidently this: The cash might have been used for dividends; instead the corporation gave it up for shares; these shares constitute the value that replaces and represents the cash; when these shares pass as a dividend to the remaining stock, they still represent that cash, carry its value and constitute income to the recipients as certainly as the cash itself would have constituted income. The object of the questioner is to make a breach in our generalization that stock dividends cannot constitute income, but he fails.

Whether the shareholders that are not bought out benefit by this double operation, depends upon something that Justice Brandeis does not mention in his argument. This something is the price which the company pays for the shares in itself that it purchases! If these shares are bought in for less than the then existing equity per share, the remaining stock benefits; if more is paid for them, it loses. Whether the stock dividend follows or does not follow, makes no difference whatever. If the buying out of a part of the shareholders produces a gain for the shareholders remaining in, this gain is complete at the end of the transaction of buying out and is not altered by an ensuing stock dividend of whatever per cent.

The truth of this will readily appear if we make a study of the case by the aid of balance sheets.

BALANCE SHEET STUDY: THE BRANDEIS PROBLEM

A. Condition before the double operation:

Gross assets	$5,200,000	Liabilities	$1,000,000
		Capital stock (12,000 shares)	1,200,000
		Surplus	3,000,000
	$5,200,000		$5,200,000

Net worth of company, $4,200,000
Equity per share, $350 (4,200,000 ÷ 12,000)
Smith has 100 shares; his equity is $35,000.

The supposed operation:

(a) The company buys in 4,000 shares (par value $400,000) at the price of $250 per share, at a cost to its treasury of $1,000,000.

(b) These 4.000 shares are subsequently distributed as a stock dividend of 50 per cent on the remaining 8,000 shares.

The consequences of this double operation will disclose themselves if we now construct the new balance sheet. The company will have $1,000,000 less of assets and will have 12,000 shares outstanding (in the possession of the shareholders that were not bought cut).

B. Condition at the conclusion of the double operation:

Gross assets	$4,200,000	Liabilities	$1,000,000
		Capital stock (12,000 shares)	1,200,000
		Surplus	2,000,000
	$4,200,000		$4,200,000

Net worth of company, $3,200,000
Equity per share, $266.67 (3,200,000 ÷ 12,000)
Smith now has 150 shares; his equity is $40,000 (150 × 255.57).

Smith is one of the shareholders who sold none of his stock to the company. The value of his equity has been increased (by what we call the double operation) from $35,000 to $40,000. The source of this gain is the purchase by the company for $250, of shares having a then valid equity of $350. It is as if certain partners remaining in a business bought out some quitting it, for less than the value of their interest.

But the precise point we must make is that whatever benefit Smith (who is any stockholder staying in) enjoys, flows in no part from the stock-dividend side of the operation. Consider now the state of affairs at the conclusion of step (a) without the stock dividend.

C. Condition at the conclusion of step (a) without step (b):

Gross assets	$4,200,000	Liabilities	$1,000,000
		Capital stock (8,000 shares)	800,000
		Surplus	2,400,000
	$4,200,000		$4,200,000

Net worth of company, $3,200,000
Equity per share, $400 (3,200,000 ÷ 8,000).
Smith has 100 shares; his equity is $40,000 (100 × 400).

Thus Smith (who is any stockholder) has the same equity at the end of step (a) as at the conclusion of the entire operation. He has enjoyed a gain for the reason that the corporation made a good bargain in the purchase of that portion of its own stock which it acquired. This bargain is the sole source of the shareholders' gain. The stock dividend in the hypothetical case of Justice Brandeis turns out to be no different from any other; it dilutes the stock but adds nothing to the wealth of the shareholder.

VI

We shall not take space for an extended recapitulation. It appears that while stock dividends subserve some useful corporate purposes and yield on occasion some benefits to the shareholders, the nature and

extent of the advantages of these dividends are badly misunderstood. A stock dividend cannot be income to the shareholder, assuming any reasonable meaning (economic or legal) of the word income. It should be clear that the Senate resolution quoted at the beginning of this paper, is wholly mistaken in both the reasons it assigns for future legislation upon the matter of stock dividends. Stock dividends have no utility in enabling shareholders to evade income taxation, and they add nothing whatsoever to the power of a corporation to acquire "competing" plants or any other plants.[14]

A. C. WHITAKER

Stanford University

[14] The following articles upon the stock dividend and its taxation appeared shortly after the Macomber decision: three separate articles in the *Bulletin of the National Tax Association* for April, 1920, by F. R. Fairchild, T. R. Powell, and A. M. Sakolski; article by T. R. Powell, 20 *Columbia Law Review* 536, and one by Seligman, 21 *Columbia Law Review* 313. T. D. Zukerman took the position that a stock dividend is realized income to the shareholder in an article in the *Journal of Political Economy*, vol. 28, pp. 591 *et seq.*

THE EARLY HISTORY OF PREFERRED STOCK IN THE UNITED STATES

During the earliest days of the corporation in the United States the holder of each share of stock received the same dividend as the holder of any other share in the same company. This condition soon disappeared in the transportation industry, for in this field the preferred stockholder appeared at an early date—much earlier than has been supposed.[1] When the policy of creating different classes of stockholders had been successfully used by railroads and canals, it was employed in other enterprises.[2] It is the purpose of this article to establish with some degree of definiteness the date at which preferred stock made its appearance in this country, to set forth the conditions which caused capital stocks to be divided into classes, and finally to describe the nature of early American preferred stocks.

The earliest issues of preferred stock in this country appear to have been those which certain Maryland internal improvement companies made in 1836. At that time the important improvement works of Maryland were in such poor condition that they could not secure from individuals on advantageous terms, if indeed on any terms, the funds which were required to complete their original construction programs. The states of Maryland and Virginia, various cities, and numerous individuals had already either lent money to these undertakings or subscribed to their capital stocks. The enterprises had been far from profitable. Estimates of the cost of completing the works had generally proved inadequate, with the result that repeated appeals had been made for aid. Of the large undertakings the Baltimore and Ohio Railroad was in the most satisfactory condition. On December 1, 1834, it had opened for travel and transportation its main line which extended from Baltimore to Harper's Ferry. The branch between Baltimore and Washington was opened to the public on August 25, 1835. Believing the completion of the road to Wheeling and Pittsburgh essential to

[1] Professor William Z. Ripley in *Railroads: Finance and Organization* (1915), p. 94 ff., discusses early railroad preferred stocks. He places the earliest use of this class of stock in the U. S. at a date considerably later than 1849.

For another reference to the early history of preferred stock in the U. S. see Professor John Emmett Kirshman, *Principles of Investment* (1925), p. 495. According to this writer, "There are some very early issues of preferred stock dating back as far as 1877, in connection with bankrupt roads."

[2] It is difficult to find references to industrial preferred stocks even in the period when early railroad preferred stocks were acquiring considerable popularity. Among the few industrial preferreds to which references may be found in the fifties are: Augusta Water Power preferred (see *The Bankers' Magazine and Statistical Register*, January, 1856, p. 566); and New England Worsted preferred (see *ibid.*, also Joseph G. Martin, *Twenty-one Years in the Boston Stock Market*, 1856, pp. 49, 78, and 86).

the success of the work and being without the funds necessary to accomplish this end, the directors of the Baltimore and Ohio memorialized the December session of the Maryland legislature, 1835-36, praying for further assistance.[3]

The Chesapeake and Ohio Canal,[4] which was at this time as important an internal improvement as the Baltimore and Ohio Railroad, was, like the railroad, in need of money with which to complete its construction. The canal, while then unprofitable, was thought by many to have a splendid future if it could only be completed to the coal fields. However, because of the company's record and the fact that Maryland held a mortgage upon the canal, there was little or no chance that the required amount could be secured from any source other than the state of Maryland. Up to January, 1836, there had been expended upon the canal more than $4,600,000 in the construction of its first one hundred and nine miles, which according to the directors could be finished by an additional expenditure of only $171,330.[5] In order to raise this sum and to get funds with which to build the seventy-eight additional miles which would extend the canal to Cumberland, the directors of this company on January 30, 1836, presented a memorial[6] to the Maryland legislature asking the state for further aid. This request was made less than a year after the state had lent $2,000,000 to the company for the purpose of completing the canal to Cumberland.[7]

Not only were some of the internal improvements already under construction applying at this time to the state for assistance, but the advocates of new projects were asking for their share of state aid. Many of the people of Maryland—chiefly the citizens of Baltimore—felt that the Chesapeake and Ohio Canal would divert a large amount of western trade from Baltimore to the District of Columbia. Accordingly, they opposed the grant of further aid to this canal unless the state should appropriate a sum sufficient to construct a canal to Baltimore from a point on the Chesapeake and Ohio Canal far above the

[3] See: *A History and Description of the Baltimore and Ohio Rail Road*, by a Citizen of Baltimore (1853), p. 56; and also the *10th Annual Report of the President and Directors to the Stockholders of the Baltimore and Ohio Rail Road Company.* These two works supply much information concerning the road at this time.

[4] For information concerning this canal, see *Report to the Stockholders on the Completion of the Chesapeake & Ohio Canal to Cumberland with a Sketch of the Potomac Company, and a General Outline of the History of the Chesapeake & Ohio Canal Co., from its Origin to February, 1851,* made Feb. 27, 1851.

[5] *The Memorial of the President and Directors of the Chesapeake and Ohio Canal Company to the General Assembly of Maryland,* January 27, 1836. This memorial is printed in the *Eighth Annual Report of the President and Directors of the Chesapeake and Ohio Canal Company, to the Stockholders,* made June 15, 1836, pp. 39-52. (See Maryland Public Documents, 1836.)

[6] *Ibid.*

[7] For the act under which this loan was made see Md. Laws 1834, ch. 241.

District. Another group of Marylanders anxious to connect the harbor of Annapolis with the Chesapeake and Ohio Canal at Georgetown, D.C., was asking for money from the state. The people of the Eastern Shore of Maryland were not willing to appropriate state funds for the development of other parts of the state unless they also were to share in the state's bounty. In response to the demands of these various groups there was introduced into the Maryland Assembly on March 9, 1836, a bill[8] which proposed that the state should subscribe to the capital stocks of the following companies:

Baltimore and Ohio Railroad Co.	$3,000,000
Chesapeake and Ohio Canal Co.	3,000,000
Eastern Shore Railroad Co.	1,000,000
Maryland Canal Co.	500,000
Annapolis and Potomac Canal Co.	500,000

The opponents of the bill forced its rejection on April 2, by securing the passage of an amendment which provided for an adjourned session of the legislature to be held in the following month for the purpose of considering the important question of internal improvements. A joint committee of both houses was appointed to make recommendations to the adjourned session. On May 25 the majority of this committee presented to the legislature its report[9] which was unfavorable to any subscriptions at that time. The minority, however, introduced a bill[10] which called for: first, a stock subscription to the Chesapeake and Ohio Canal Company provided that company guarantee a six per cent dividend to the state (apparently the first instance in this country in which the creation of preferred stock was advocated); second, a stock subscription to the Baltimore and Ohio Railroad Company provided that company could guarantee that with this sum and subscriptions from sources other than the state the work to the Ohio could be completed; third, a stock subscription to the Eastern Shore Railroad Company; and fourth, a subscription to the capital stock of the Maryland Canal Company.

The opposition to this bill offered many amendments which were intended to render the bill inoperative, but each in turn was defeated. According to correspondence from Annapolis, reported June 1 in the

[8] *A Bill, Accompanying the Report of the Committee of Ways and Means, of the House of Delegates, of Maryland, on the Subject of the Finances, and Internal Improvements.* Document K, Maryland Public Documents, 1835.

[9] *Report of the Majority of the Joint Committee on the Subject of Internal Improvements,* Document W for 1835, Messages and Reports, House of Delegates, Maryland, 1835-1836 (Library of the Maryland Historical Society).

[10] A synopsis of the bill as introduced was given by the Baltimore *Patriot & Mercantile Advertiser* of June 1, 1836. A summary of the provisions of the bill may be found in the Baltimore *American & Commercial Daily Advertiser* of May 27, 1836.

Baltimore *Patriot & Mercantile Advertiser*, an amendment to the bill which would have made the new "state's stock in the Baltimore and Ohio Rail Road Co. a *preferred* stock" was lost May 31 in the House on a 38 to 40 vote. Encouraged by the close vote, the opposition offered an amendment under which this stock was to become "a *preferred* stock, after the lapse of three years"[11] from the date of the subscription. This was also lost, but the vote was 39 to 39. The supporters of the bill were then forced to make a compromise, which assured its passage. To the stocks of two railroad and three canal companies subscriptions were authorized. All of these were to yield a preferential dividend of six per cent to commence on each subscription, or any part thereof, three years after it was made.

The legal nature of the preferred stock the creation of which was then authorized is described in the act[12] of the legislature. The seventh section of this statute required the Chesapeake and Ohio Canal Company, before any subscription was to be made, to guarantee in writing to:

> The State of Maryland, the payment out of the profits of the work, of six per centum per annum payable semi-annually on the whole amount of money which shall be paid to the said company, under and by virtue of this act, until the clear annual profits of the said canal shall be more than sufficient to discharge the sums of money which it shall be liable annually to pay to the State of Maryland, and shall be adequate to a dividend of six per centum per annum among its stockholders, except the holders of the stock subscribed in virtue of the stock and debt of the Potomac Company,[13] and thereafter the state shall in reference to the stock subscribed for on its behalf, be entitled to have and receive a proportional dividend upon the profits of the work, as declared from time to time and no more.

The sixteenth section of this same act postponed the initial payment of the six per cent dividend until three years after the subscription was made. It should be noted that the preference was only until the profits were sufficient to pay six per cent on all but a certain small part of the entire stock.

[11] The Baltimore *Patriot & Mercantile Advertiser* of June 1, 1836. The Baltimore *American & Commercial Daily Advertiser* of June 2, 1836, gave a similar report of the proceedings at Annapolis on May 31, saying—"Mr. Duckett's amendment to Col. Merrick's bill, giving a *preference* to the stock of the state in the Baltimore and Ohio Rail Road company, was lost, ayes 38, noes 40. A similar proposition, but deferring the *preference* three years, after the negotiation of the loan, was made by Mr. Pratt, which was lost—ayes 39, noes 39."

[12] Md. Laws 1835, ch. 395.

[13] The Chesapeake & Ohio Canal Co. succeeded the Potomac Co. Stock in the C. & O. could be purchased with money, or with certificates of Potomac Co. stock, or with certified claims of the creditors of the Potomac Co. The right to claim dividends on subscriptions made with anything other than money was postponed until the annual dividends to the money subscribers exceeded ten per cent. See report to C. & O. stockholders, made Feb. 27, 1851, p. 27.

The provisions for the Baltimore and Ohio preferred, which are contained in the ninth section of this act, differ somewhat from the provisions relating to the Chesapeake and Ohio preferred. In the case of the B. & O. subscription it was provided that after the company's profits should be sufficient to declare six per cent on all its stock, the state should on "the stock so subscribed for, and on so much thereof as the state may hold, be entitled to have and receive a perpetual dividend of six per centum per annum, out of the profits of the work as declared from time to time, and no more, and all and so much of such annual profits as shall exceed six per centum, shall be distributed to the other stockholders according to their several interests in said company." Thus, while the C. & O. preferred was to become a common stock after the profits of the canal had reached a certain point, the B. & O. preferred was to remain a non-participating preferred stock as long as the state held it. The dividend provisions attached to the stock subscriptions to the Eastern Shore Railroad Company, the Maryland Canal Company, and the Annapolis and Potomac Canal Company were similar to those attached to the B. & O. subscription.[14]

A preferential position in the appointment of directors was stipulated by the state as another condition of the Baltimore and Ohio subscription. This concession was not required of the other companies. In the case of the B. & O., the state demanded the right to appoint, in addition to the directors which it at that time had the power to choose, one director for every five thousand shares of the proposed issue which the state might hold.[15] This privilege was required by the state in order to assure it a representation on the board somewhat commensurate with its stock holdings. The state, if the act were accepted by the company and carried out by the state, would then be the largest single stockholder having supplied more than one-third of the capital. This power to appoint directors was designed to give Maryland the control of one-third of the board. In the case of the Chesapeake and Ohio Canal subscription the state did not require the right to appoint directors, since if the act were carried out the state would control the board of directors by reason of the fact that it would hold a majority of the entire capital stock.[16] There does not appear to be any particular reason why Maryland did not demand for the other preferred stock subscriptions the right to appoint directors. Perhaps it was felt that the state's interests in the other companies would not be large enough to make it necessary to assure itself representation on those directorates.

Each of the companies, in accordance with the provisions of the

[14] Md. Laws 1835, ch. 395, sec. 9.
[15] *Ibid.*, sec. 6.
[16] Report to C. & O. stockholders, Feb. 27, 1851, p. 69.

bill, was called upon to give its consent to the terms before any subscription was to be made to that company. The actions taken as a result of this statute by the Annapolis and Potomac Canal Company, the Maryland Canal Company, and the Eastern Shore Railroad Company need not be considered here, for they do not involve any discussion of the preferred stock provisions. The shareholders of the Chesapeake and Ohio Canal, however, opposed the preferred stock feature of the act; but this was not their principal objection[17] as subsequent discussion brought out. The chief causes for dissatisfaction with the act were: first, that the control of the canal, which had been held by the District of Columbia since the organization of the company, would pass to Maryland since that state would own a majority of the stock; and second, that the act provided for the construction of a cross-cut canal starting from a point on the canal as far above the district as practicable and terminating in Baltimore. This cross-cut, it was felt by the shareholders of the cities of Georgetown, Washington, and Alexandria, would divert traffic to Baltimore. It was not until July 28, 1836—after it had been decided that a cross-cut above the District was not practicable and after it was obvious that money could not be secured from any other source—that the shareholders of this company assented to the provisions of this Maryland bill.

A criticism of the preferred stock feature of this Maryland act is found in a letter appearing on June 13, 1836, in a newspaper[18] of Georgetown, D.C. It is interesting in that it throws light on the current conception of preferred stock. It was written in support of the instructions of the Corporation of Georgetown given to its delegates appointed to vote its stock at the Chesapeake and Ohio Canal stockholders' meeting called to consider the provisions of the Maryland act. The following is a quotation from this letter which is signed CANAL:

> It is to the unreasonable and anomalous character of the loan that Georgetown objects. Upon what principle of justice does Maryland claim to receive a certain stipulated dividend, or interest, if you please, to the *exclusion of all other stockholders,* and at the same time to have *equal rights* with those excluded stockholders in controlling by *her vote,* the interests and work of the company? Can the money of Maryland possess any such extraordinary quality that it is to be received in the *double character* of a loan to the Chesapeake and Ohio Canal Company, bearing a certain rate of interest, whether the canal shall earn it or not, and at the same time, act as a subscription to the stock of the company, conferring equal rights and the usual stock privileges, enjoyed by the stockholders? Where is the bank, or any joint stock company, where such an instance of monstrous

[17] See article entitled "The Potomac Aqueduct," in *The Metropolitan* of Georgetown, D.C., July 20, 1836.

[18] *The Metropolitan.* Part of this letter was reprinted in the Baltimore *American & Commercial Daily Advertiser* of June 15, 1836.

injustice and inequality is to be found? No such conditions were attempted to be imposed on the loan of 1835.

We are admonished by our Baltimore friend not to reject this Maryland bill, because we are to expect no better from the legislature of that state. . . . . But as a stockholder in the canal we think the Corporation of Georgetown and the stockholders would at least wait the results of further efforts, before they will consent to be thrown out of their rights and interests in the company to make room for a monopolizing, "preferred stockholder."

The tone of this letter indicates that preferred stock was unknown as a device for financing. Further evidence of this is to be found in the fact that the act does not use the term preferred stock and in the fact that the Baltimore newspapers usually italicized the words preferred or preference in their comments upon the act. An examination of discussions of this statute which appeared in the principal newspapers of the District failed to yield instances of the use of the term preferred stock except in the letter just quoted.

When the Baltimore and Ohio gave its assent to the provisions of the act, there does not appear to have been any discussion of the preferred stock provisions. Probably the shareholders felt that the increase in rates, which the company was permitted to make under the act,[19] more than balanced the guarantee of six per cent on the state subscription.

While the terms of this act have been considered in the Maryland legislature and in the courts, there is no intimation in these or other available discussions to indicate where the minority of the joint committee of the Maryland legislature reporting to this body in its special May session secured the idea of creating preferred stock. Possibly the idea came from England, as in that country the use of "new" shares with a priority or preference of dividend had already been permitted.[20] Whether these English shares were actually called preference or preferred shares at or before this time has not been determined.

In order to give further aid to internal improvements, Maryland in 1837 again agreed to purchase the preferred stock of a railroad.[21] A subscription to the capital stock of the Annapolis and Elk Ridge Railroad Company was authorized.[22] One of the sections of the act which permitted this assistance required on the stock taken by the state a guarantee of a six per cent dividend, which was to begin twelve months after the completion of the work and continue until the clear annual

[19] Md. Laws 1835, ch. 395, sec. 9.

[20] An example of an English statute authorizing the issue of "new" shares with a priority of dividend may be found in *The Local and Personal Acts of Great Britain*, 7 George IV c. 45 (1826).

[21] For similar action in 1839 see Md. Laws 1838, ch. 396. This statute authorized the state to take more preferred stock in the Chesapeake and Ohio Canal Co.

[22] Md. Laws 1836, ch. 298.

profits were adequate to a six per cent dividend on all of the stock.[23] Thereupon the state's holding in the road was to lose its dividend preference.

The preferred stocks so far considered were created in order to give the state a preferential dividend position in return for funds. The sale of preferred stocks to individuals, which began in the early forties, marks the second stage in the development of this kind of stock in the United States. The causes for this innovation may be found in the condition of the railroads. Construction programs had been undertaken upon too low estimates of the cost. Many of the roads were either incomplete or poorly built and had to be reconstructed. In consequence "old" roads had to make repeated appeals for money. Much of the new money had to come from the shareholders or other individuals, for the states either refused to give aid to any company or they could be induced to assist only after the public through stock subscriptions had shown that it was interested in the project. The shareholders, when the directors' promises of dividends failed to materialize, became less and less willing to take more stock in the enterprise or even to pay the calls upon subscriptions. Likewise, it grew increasingly difficult to induce individuals outside of the corporation to become stockholders. This condition led many companies to promise interest on all sums paid on stock subscriptions for a certain specified length of time or until the work could be put into operation between certain points. Evidence that many roads were pursuing this policy soon after 1840 may be found in the report of the directors of the Pennsylvania Railroad to the stockholders, delivered October 30, 1847.[24] The following is taken from this report:[25]

> The line of policy now recommended by the Board, is to ask the passage of an amendment to the charter, requiring the company to pay semi-annually an interest equal to six per cent per annum upon all installments as called for. . . . .
>
> In recommending the payment of interest, the Board do not propose any new experiment. This plan is sanctioned by the practice of English companies, as well as those of New York and Massachusetts, and has been followed by the beneficial results.
>
> Although it is understood that no provision exists in the charters granted in these states for the payment of interest, yet for the last six years such payments have been voluntarily made by all companies, under a conviction of the policy and equity of the measure, and it is found that it not only

[23] *Ibid.*, sec. 9.

[24] For additional evidence see: *Wright* vs. *Vermont & Mass. Rr. Corp.*, 66 Mass. 68; and also item concerning Ogdensburg Rr. in the *American Railroad Journal*, May 8, 1847, p. 301, col. 3.

[25] The report was printed in the *American Railroad Journal*, Dec. 11, 1847, p. 789 ff.

has the advantage of securing prompt payments from the stockholders, but it permits persons of limited means to invest in these stocks, with a certainty of receiving their income regularly from the time of such investment.

The ultimate effect has been that all the roads but one in Massachusetts have been built upon their capital stock, only a single company have been obliged to have recourse to loans, to complete their road.

In New York it is understood that the same course obtains, and that the Hudson River company pay to the shareholders an interest of seven per cent as the work progresses.

This policy of paying interest on all stock subscriptions could not be followed by some companies since it would have proved too heavy a burden. In these cases there developed the practice of paying interest or dividends on any new stock subscriptions but not on the old ones. Thus, in many instances there developed two classes of stock—old stock upon which dividends could not be paid and new stock upon which dividends were promised. The affairs of the Housatonic Railroad Company furnished a case in point. This road was unable in 1843 to raise funds by the sale of its ordinary stock, for it was paying no dividends and had no prospect of paying them soon; moreover, much of the stock which had been subscribed was being forfeited for non-payment of calls. By an act of the legislature of Connecticut, the railroad was authorized in that year to sell its "surplus and forfeited stock" and to give to the individuals who purchased it "a dividend of three and a half per cent, annually, payable in semi-annual dividends out of the net earnings of said road, before any dividend shall be declared or paid to the other stockholders of said company."[26]

Between 1843 and 1850 there were so many successful and unsuccessful efforts to sell preferred stock to individuals that it might almost be said that by the latter date this instrument had become in this country an established method for raising railroad capital in emergencies. Newspaper advertisements and stock exchange quotations testify to the increasing popularity of preferred stock in this early railroad construction period. The following references indicate the various places in which there may be found evidence of the dealings in these early years in this class of stock. In the reports of stock offerings and bids in New York for November 6, 1847, there were listed "Erie new stock" and "Erie old stock," as well as "Housatonic" and "Housa-

[26] Resolves and Private Laws of the State of Conn. 1836-1857, Vol. 4, an act entitled *An Act Relating to the Housatonic Railroad Company, Passed 1843.* This act probably was not carried into effect, for shortly after its passage two other very similar statutes concerning this railroad were passed (see *ibid.*, both an act entitled *Authorizing the Housatonic Railroad Company to Dispose of Surplus Stock, Passed 1844* and an act entitled *Amending the Charter of the Housatonic Railroad Company, Passed 1845*).

tonic new stock."[27] In the Boston *Courier* of April 8, 1850, P. P. F. Degrand advertised at private sale some stock items among which was "twenty-five shares Housatonic Railroad, preferred stock." In many of the subsequent issues of this newspaper a similar advertisement appeared —usually with an offering of Housatonic preferred. The New York stock quotation list, as it appeared in the *Commercial Advertiser* of New York on October 5, 1850, contained under the heading "Rail Roads" the items "Housatonic new stock," "Harlem preferred full," and "Reading preferred." *The Bankers' Magazine* for November 1850[28] listed Norwich and Worcester Railroad preferred among the Boston Stock Exchange quotations. References after 1850 are by no means difficult to find. Martin's *Boston Stock Market*, for example, records the existence in the early fifties of nine different railroad preferred stocks.[29]

The earliest statutes permitting the use of stock with prior dividend rights did not use the expression preferred stock. An early appearance of the term in a legislative act may be found in either of the following two statutes[30] which were both passed March 29, 1848[31]—an act of the Pennsylvania legislature which permitted the Philadelphia and Reading Railroad to issue preferred stock, and an act of the New York legislature which granted to the New York and Harlem Railroad the same privilege. In the newspapers, journals, and corporate publications this type of stock was occasionally referred to as new stock but generally the term preferred stock was employed. The use of the latter expression in newspapers as early as 1836 has been cited. The preferred stock issued by the Housatonic Railroad under a Connecticut statute of 1845[32] was termed new stock at first by the *American Railroad Journal*[33] but after a brief time it was called the Housatonic preferred. The directors of the Erie Railroad in their publications continually

[27] *American Railroad Journal*, November 20, 1847, p. 738, col. 1.

[28] *The Bankers' Magazine and Statistical Register*, November 1850, p. 427.

[29] Joseph G. Martin, *Twenty-one Years in the Boston Stock Market* (1856) mentions: Rutland 6 p. c. pref., pp. 53, 60; Rutland 8 p. c. pref., pp. 53, 60; Worcester and Nashua pref., pp. 53, 57; Stonington pref., p. 53; Cheshire pref., pp. 53, 54, 55, 79; Norwich and Worcester pref., p. 54; Concord and Montreal pref., pp. 55, 79; Connecticut River pref., p. 55; Lexington and West Cambridge pref., p. 56.

[30] Laws of Penn. of the Session of 1848, No. 233. Laws of N.Y., 71st Session, ch. 143.

[31] One month before this date the Penn. legislature passed an act permitting the creation of preferred stock by the Cumberland Valley Railroad. In that act the term preferred stock was not used. See Laws of Penn. of the Session of 1848, No. 51.

[32] Resolves and Private Laws of the State of Conn. 1836-1857, vol. 4, an act entitled *Amending the Charter of the Housatonic Railroad Company, Passed 1845.*

[33] Compare *American Railroad Journal*, Mar. 21, 1846, p. 185, col. 2 with the issue of Oct. 30, 1845, p. 695, col. 2.

called the preferred, which they tried to create in 1844 and actually did issue in the following year, the new stock.[34]

The early preferred stocks were not issued at the time of the organization of the companies; they were created when there was need for additional funds. The Erie preferred of 1845 was marketed in order to raise the money required to complete the road from the Hudson to Lake Erie. In 1849 the president of the Baltimore and Ohio Railroad suggested an issue of preferred stock as one method of obtaining the capital necessary to extend the line to the Ohio.[35] Stocks of this type were also used in order to secure the money needed to reconstruct the roads. The plate rail soon proved inefficient and had to be replaced by the T or the H rail. The Cumberland Valley Railroad was one of the companies which early had to make such a change. To get the funds with which to equip this road with improved rails and to provide it with the requisite running force, a sale of preferred stock was authorized by a Pennsylvania act approved on February 15, 1848.[36] The Housatonic preferred of 1845 was marketed partly in order that the company might be able to change its rails from the plate to the H type.[37] Another reason for this Housatonic issue was that the company might have the funds with which to redeem its outstanding notes which were circulating in the community in lieu of money.[38] The Philadelphia and Reading Railroad, in order to liquidate its debts, was authorized by the legislature of Pennsylvania in 1848 to create preferred stock.[39]

The power to issue preferred stock was at this time usually expressly given by statute. For example, the Connecticut act of 1843 which is quoted above specifically granted to the Housatonic Railroad the right to issue stock with a guarantee of a three and one-half per cent annual dividend. While this was the general rule, there were instances in which the issue of preferred shares without express statutory authority was either considered or actually made. For example, the directors of the Erie Railroad in 1844 were considering such an issue without the approval of the legislature. They were, however, deterred from such corporate action by a legal opinion that "neither the board of

[34] See, for example, the *Report of the Directors of the New York and Erie Railroad Company to the Stockholders*, October 17, 1844. This report may be found in the *American Railroad Journal*, Dec., 1844, p. 369 ff.

[35] *Report of the President of the Baltimore and Ohio Railroad to the Directors*, made Nov. 14, 1849. See *American Railroad Journal*, Nov. 24, 1849, p. 743.

[36] Laws of Penn. of the Session of 1848, No. 51. See also *American Railroad Journal*, Apr. 21, 1849, p. 244, col. 3.

[37] *American Railroad Journal*, Oct. 30, 1845, p. 695, col. 2.

[38] Resolves and Private Laws of the State of Conn. 1836-1857, vol. 4, an act entitled *Amending the Charter of the Housatonic Railroad Company, Passed 1845.*

[39] Laws of Penn. of the Session of 1848, No. 233, sec. 1.

directors nor the stockholders legally convened, possess the power to make any distinction between stocks issued at different periods."[40] Accordingly they devised the following plan:[41] at least seventy-five per cent of the existing stockholders were by their individual acts to agree that all dividends on their shares should be waived until a dividend of six per cent was declared on stock which was to be issued; the old stockholders were to receive any portion of the net earnings which should exceed the amount required to pay this dividend; and when the net earnings should be sufficient to declare six per cent on the old stock, the distinctions between old and new were to cease. This particular plan was never put into effect, as the public failed to take up a sufficient amount of the new stock.[42]

A year later, however, there was a successful flotation of new stock which had a priority over the old in the matter of dividends. The legislature of New York in that year agreed[43] to release the company from its debt to the state provided, among other things, the railroad raised three million dollars by new stock subscriptions. Under the authority of this act the company issued new shares upon which it agreed to pay six per cent until a single track of the road should be constructed and in operation from the Hudson to Lake Erie and also a branch to Newburgh.[44] As the statute did not specifically grant the right to give the new stock a preferred dividend, it is possible that the scheme of 1844 which is presented above was employed at this time. It is certain that, while the old stockholders must have sanctioned in some manner the priority of dividend for the new stock, it was not long before they objected to the continuing discrimination against them. In January, 1847, the directors under pressure from the old stockholders declared[45] that the distinctions between old and new stock should cease when the construction of the road had been completed to Binghamton.

The Androscoggin and Kennebec Railroad preferred of 1849 furnishes another example of the issue of preferred stock without express statutory authority. A Maine law (1848 ch. 106) gave this company the right to increase its capital stock, but it did not state that the in-

[40] From an address to the public by the president and directors of the New York and Erie Railroad Co. under date of Apr. 11, 1844. See *American Railroad Journal*, May, 1844, p. 152.

[41] *Ibid.*

[42] *Report of the Directors of the N.Y. and Erie to the Shareholders*, Oct. 17, 1844. See *American Railroad Journal*, Dec. 1844, p. 369 ff.

[43] Laws of N.Y. 1845, ch. 325.

[44] Notice concerning the N.Y. & Erie, dated Sept. 3, 1845, which appeared in the *American Railroad Journal*, Sept. 11, 1845, pp. 588 and 589.

[45] See the call upon the N.Y. & Erie stockholders made in Jan. 1847 which appeared in the *American Railroad Journal*, Jan. 16, 1847, pp. 39 and 40.

crease might be secured by the sale of preferred shares. Presumably with this statute as its authority the company by corporate action created preferred stock. In a case brought before the Supreme Court of Maine in 1860 it was decided that this stock issue was lawful.[46] The arrangement as to the preferred dividend was held to be a contract between the old shareholders and the individuals who were induced to take the new stock. The power to make this contract was derived from a liberal interpretation of the company's right to raise money to complete and equip its road. This opinion was in accord with the conception of preferred stock which had been set forth by the leading authority of that day on railway law. Judge Isaac F. Redfield wrote in 1858 that since this type of stock was "only a form of mortgage" it might be lawfully issued as a mode of borrowing when a company possessed both the right to increase its capital stock and the power to mortgage.[47]

The early preferred stocks present considerable variation in the rate of dividend, in the authority which determined the rate, and in the length of time for which the preferred dividend was to be paid. In one instance a stockholders' meeting—though it later rescinded its action—authorized a preferred stock issue with a yearly dividend of thirty per cent.[48] In another case a statute permitted a three and one-half per cent annual preferred dividend.[49] Dividend rates of ten and twelve per cent do not seem to have been unusual. The explanation of the high rates is probably that given by the Supreme Court of Maine in one of its decisions[50]—namely, that by duplicating his original subscription in the high dividend paying preferred stock a shareholder could receive a fair return on his entire investment. The practice of leaving to the directors[51] or the stockholders[52] the right to fix the dividend rate was early established. An exception to this general practice is to be found in the act of 1843 which authorized the Housatonic Railroad to issue three and one-half per cent preferred stock.

[46] *Bates* vs. *The Androscoggin & Kennebec R.R. Co.,* 49 Maine R. 491.

[47] Isaac F. Redfield, *A Practical Treatise upon the Law of Railways,* 1st ed. Jan. 1, 1858, sec. 237, no. 1. For several important decisions which cited Redfield on this point see: *Rutland & Burlington R. R. Co.* vs. *Thrall,* 35 Vt. 536 (1863); and *Miller, Executor,* vs. *Ratterman, Treas.,* 47 Ohio St. 141 (1890).

[48] Report of the Kennebec and Portland Railroad stockholders' meeting given in the *American Railroad Journal,* July 7, 1849, p. 427, col. 3.

[49] Resolves and Private Laws of the State of Conn., vol. 4, an act entitled *An Act Relating to the Housatonic Railroad Company, Passed 1843,* sec. 2.

[50] *Bates* vs. *The Androscoggin & Kennebec R. R. Co.,* 49 Maine R. 491.

[51] For an illustration of this practice see Laws of Penn. 1848, No. 51, sec. 1, concerning Cumberland Valley Railroad preferred.

[52] See provisions of an act entitled *Authorizing the Housatonic Railroad Company to Dispose of Surplus Stock, Passed 1844,* in Resolves and Private Laws of the State of Conn. 1836-1857, vol. 4.

Usually a preferred dividend was to be paid only until a road should be or would presumably be in a condition to pay a dividend on all its stock equal to that promised on its preferred stock, whereupon all distinctions between old and new shares were to cease. The Androscoggin and Kennebec Railroad preferred stockholders, for example, were to receive a dividend of twelve per cent per annum payable semi-annually until the net earnings of the road should be sufficient to pay an interest of six per cent per annum on all stock issued and all the bonds of the first and second loans.[53] One exception to the general rule that there was a time limit for the payment of these early preferred dividends is to be found in the proposals which were made in 1849 by the president of the Baltimore and Ohio Railroad. In order to raise the money with which to complete the road to the Ohio, an issue of preferred stock was suggested. Upon this issue the president recommended "the payment of 6 per cent, and the holder to have the benefit of its enhanced value, on reaching the Ohio river, by incorporating himself with the general stockholders, if he should so desire; but to make his election within a period to be fixed, whether he will retain his position as a preferred stockholder at a rate of interest not to exceed 6 per cent."[54] Apparently if the stockholder did not desire to convert his stock, he was to have a preferred dividend in perpetuity. In this period the right voluntarily to convert preferred stock into common was rarely considered when the rights of the preferred stockholder were determined.

While the evidence is only indirect, there is reason to believe that the early preferred stocks were cumulative unless the contrary was specified. The chief reason for this opinion is the fact that such stocks were commonly considered a form of mortgage. The natural conclusion to be drawn from this conception is that preferred dividends were cumulative. In only one of the stocks studied was this question definitely considered before the stock was issued, and in that case the dividends were made non-cumulative. The act of 1848 which authorized the Philadelphia and Reading Railroad to issue preferred stock reads that this stock was to be "entitled to be first paid such a dividend as shall have been authorized and directed by the meeting authorizing the issuing of the same, if the profits of the current year shall be sufficient for the purpose, before any dividend shall be paid on the other stock of said company."[55]

Such stock was almost always non-participating. The explanation of this is found in the temporary character of early preferred stock.

[53] *Bates* vs. *The Androscoggin & Kennebec R. R. Co.*, 49 Maine R. 491.

[54] *Report of the President of the Baltimore & Ohio to the Directors*, made Nov. 14, 1849. See *American Railroad Journal*, Nov. 24, 1849, p. 743, col. 2.

[55] Laws of Penn. of the Session of 1848, No. 233, sec. 1.

individuals subscribing to the stock of a railroad in a period in which the road was in financial difficulties demanded only a definitely specified fair return on their shares until the road might reasonably be expected to have passed through the emergency. Then the distinctions between the different classes of stock were usually to cease. Occasionally, however, when the preferred dividends were to be continued indefinitely or for a long period, there were arrangements in regard to the participation of the preferred stockholder in the earnings over and above those required for the payment of his dividend. The Philadelphia and Reading Railroad preferred of 1848 is an interesting example of an early participating preferred stock. This road, having been permitted by the legislature[56] to liquidate its debts by an issue of preferred shares, offered to its bondholders, who were chiefly of Boston and England, an eight per cent stock. Instead of accepting this proposal, however, they agreed to take a seven per cent stock which should participate equally with the common after both stocks had received seven per cent.[57]

It seems that preferred stock had the same or practically the same voting rights as common in spite of the fact that statutes seldom covered this point. The Chesapeake and Ohio preferred of 1836 certainly without specific statutory provision carried full voting rights, since through the vote of this stock Maryland gained control of the canal.[58] In only one of the acts examined did a legislature definitely secure for the holders of preferred stock the power to vote. The Pennsylvania legislature provided that the holders of the Cumberland Valley Railroad preferred of 1848 should "at all elections" be entitled to "all the rights and privileges to which the original stockholders are entitled."[59] It is true that the State of Maryland could not vote its Baltimore and Ohio preferred of 1836 at the election of directors, but this was because the state possessed a special right to appoint a part of the board.[60]

In conclusion it may be said that preferred stock first appeared in this country in the very early days of the railroads. It was used only when a railroad was in financial difficulties and could not raise funds by the sale of its ordinary stock. At first it was rarely contemplated that preferred stock should remain preferred after the emergency had passed. This temporary character of early preferred stock and the conditions under which it was issued explain to a large extent the characteristics which it has been found to possess. In most respects it

[56] *Ibid.*

[57] See article on the Reading Railroad in the *American Railroad Journal*, Apr. 29, 1848, p. 274.

[58] Report to the stockholders of the C. & O. Canal, made Feb. 27, 1851, p. 69.

[59] Laws of Penn. of the Session of 1848, No. 51, sec. 2.

[60] Md. Laws 1835, ch. 395, sec. 6.

resembled the common stock which it was soon to become. The vital difference between common and preferred stock was, of course, the dividend. In this respect the difference was so great and so unusual that preferred stock was viewed by many as a form of mortgage. It is not surprising that such an idea was advanced since, because of the condition of the railroads, individuals were induced to take this stock only because of the promised dividend. As long as this conception prevailed, it is reasonable to believe that preferred dividends were cumulative. Like common stock, preferred could be issued by a corporation only when it had the power to increase its capital stock. However, one of two other conditions also had to be present before preferred stock could be legally issued—either express statutory authority for its use had to exist, or the company had to have liberal borrowing powers. Generally preferred stock had the same voting rights as common. The voluntary conversion and the participating features had not been developed in this country to any extent; there was no need for stock with these characteristics. The new subscribers required only a promise of a definite dividend during the short period which it was thought would be necessary to establish the road on a paying basis. When this state of affairs had been reached, they expected to become common stockholders and thus share in the hoped-for large dividends of the enterprise which they had assisted.

George Heberton Evans, Jr.

Johns Hopkins University

THE DEVELOPMENT OF WAGE FIXATION IN AUSTRALIA

Some years ago, in the *Harvard Law Review,* there appeared a series of articles written by Mr. Justice Higgins, President of the Australian Commonwealth Court of Conciliation and Arbitration. He called the series, "A New Province for Law and Order." From the point of view of strict history this title may be misleading. The judicial regulation of wages was not undertaken for the first time in Australia, nor by Australians. There was certainly some experimentalism in this field in the Roman Empire; and we have, under the English Tudors and Stuarts, a period of more than a hundred years during which the regulation of wages by justices was a normal thing. But, in the sense that there existed no body of law or procedure to which a modern administrator might turn in this difficult business of allotting the rewards of labor and determining standards of life amid the complexity of modern industry, the distinguished Australian jurist was correct in his choice of a title. It has fallen to the lot of Australia to make many experiments in social legislation, but none of them have been observed more closely, or criticized more keenly, than her pioneering efforts in the legislative fixation of wages.

It is not proposed in this article to do more than sketch the background against which this question must be seen if it is to be understood; and then to discuss briefly some of the more recent problems which have arisen.

Up to 1890 there was no suggestion of regulating wages in Australia by state action. Hitherto, wages had been determined by booms and depressions, droughts and bad seasons, scarcity or plentitude of labor, and the growing strength of trade unionism. Organized labor began to be of significance to Australia after the gold discoveries of the fifties, which coincided, curiously enough, with the attainment of fully responsible self government (1855-1856). The policy of the nascent labor movement was influenced by two opposite social attitudes which manifested themselves in the newly self-governing communities. There was, first, a reaction against the paternalism of the pre-gold era, when imported governors and nominee executives ruled the young colonies. This individualistic reaction tended to take the form of opposition to state action of all kinds. Its champions were the big landed men who had fought for self government. On the other hand, the influx of gold seekers had furnished a democratic leaven which rapidly spread through the community, liberalized its new political institutions, and presented a sympathetic ear to the requests of organized labor that government should intervene to improve the conditions under which it worked.

As a result, labor made its advances along two lines. It persuaded the various state governments to intervene in improving its working conditions by means of sanitary and safety legislation for factories and mines. It even obtained the restriction of colored immigration. But questions of hours and wages were left to be settled by collective bargaining without any aid or supervision from the state. The eight hour day was gained by organization, not by legislation. The conservation of the higher standard of living, which resulted from the gold discoveries, was achieved by action on the industrial field through the familiar machinery of strikes, lockouts, and voluntary agreements. For nearly forty years there was no suggestion that the wage contract should be reviewed or guaranteed by public authority.

The Maritime Strike of 1890 was at the end of this phase. The greatest industrial upheaval the country had seen, it set Australians thinking furiously. But neither masters nor men had much to offer in the way of reconstruction. The masters, flushed with victory, talked about stamping out unionism and reëstablishing "freedom of contract." Arbitration, they said, might work if the men were reasonable. The men, on the other hand, did not want their hands tied by obligatory agreements. Voluntary conciliation they might accept, but not compulsory arbitration. The only really vital suggestions came from people outside industry—government officials, administrators, and politicians. Kingston, a cabinet minister of South Australia, minced no words in his evidence before the New South Wales Royal Commission on strikes. Lockouts and strikes did not settle disputes, but simply aggravated them. Citizens paid taxes for protection, and they ought to be protected from strikes and lockouts as from other social evils. If the combatants would not resort to arbitration, they should be made to do so. It took Kingston three years to persuade his own government in South Australia to bring in the first Arbitration act in Australia (1894). "Whatever credit belongs to the origination of the idea of Compulsory Arbitration in Australia must fall to Kingston."[1] Not until seven years afterwards did New South Wales follow the example of South Australia and produce an act embodying compulsory arbitration (1901).

This machinery was not regarded by its sponsors as being a means of wage regulation. It was instituted to overcome the menace of industrial disturbances. Yet it soon became obvious that the chief matter for an arbitrator to settle would be the question of wages. Almost from the outset the arbitration courts were looked upon as tribunals for the regulation of wages.

[1] *Industrial Arbitration,* by T. W. McCawley, late president of the Queensland Court of Industrial Arbitration, p. 7.

In the meantime, wage regulations had followed a different course in Victoria. Conditions of labor were notoriously bad in certain industries. Sweating was rife. In 1896, Parliament provided for the formation of special boards for the clothing, furniture, baking, and butchering industries. Each board was really a joint committee of masters and men under an independent chairman. It was empowered to fix legal minimum rates of wages, to be enforced by government inspectors. An immediate improvement followed, and regulation was extended to other industries.

Here, then, were two methods of wage regulation. The Arbitration Court, designed to prevent industrial disturbances, was only able to function where an actual dispute existed. In its hearing of such disputes it could, however, and did, settle questions of wages, hours, and conditions. The Wages Boards, devised as a remedy against sweating, had a permanent oversight of their particular industries, and were charged with the duty of reviewing periodically the condition obtaining in those industries.

The relative merits of these two systems has been the subject of much controversy, which is not yet stilled. At first, the workers preferred the Boards which could act quickly and continuously, and could more readily master the technical details of their specific industries. The Court could only act in case of a dispute. Dealing with all industries it was apt to be congested and awards could only be obtained after much delay.

On the other hand, the Board recognized no trade union. Employers and employees were individuals. The Court, charged with the oversight of all industry, worked on the basis of existing industrial organizations, both of masters and men, and was thus closer to the realities of industrial life. Moreover, some of the courts were empowered to grant preference to unionists. For these reasons the unionists tended to prefer courts to boards.

All the states of Australia have experimented with one or the other, or both, of these systems of regulation. Victoria and Tasmania have adopted Wages Boards, though the awards of these Boards have been subjected to review by a court. New South Wales established its Industrial Court in 1901, changed over to a Wages Board System in 1908, and adopted a mixed system of Courts and Boards in 1912. Since then it has, in 1918, instituted a Board of Trade comprised of masters and men, sitting under a president appointed by the government, to declare the basic wage for the whole state and to review it annually. In 1926, this was changed; and an industrial commissioner, who makes use of similar machinery to fulfill similar functions, was set up in New South Wales. Queensland and South Australia have taken much the same path as New South Wales, though Queensland

has now abandoned its Boards; but Western Australia and the Commonwealth have placed wage regulation entirely in the hands of Arbitration Courts. The Commonwealth Court of Conciliation and Arbitration was established in 1904 to deal with disputes extending beyond the boundaries of one state. For, by the federal constitution, the regulation of industrial conditions was reserved as a state power, and the states have been very jealous of any federal attempt to encroach upon their province. Thus, the court method and the board method have been combined in the arbitration systems of New South Wales, Queensland, and South Australia. Western Australia and the Commonwealth have Courts only. Victoria has kept the system of Boards which she initiated, and Tasmania has followed her example.

Under these systems, wage regulation has grown considerably. About three-quarters of the employees of Australia come under its operation. No longer is regulation regarded as a protection only for the unskilled and sweated wage slave. White collars take the place with shirt sleeves in the waiting list for redress of grievances. The artist comes to join the artisan. Actors and axemen, journalists and joiners, musicians and moulders, sacristans and stonemasons, march shoulder to shoulder in the army of the regulated. In 1918 the Commonwealth Court fixed minimum rates for professional officers in the federal public service, ranging from 98 pounds to 1,000 pounds per annum ($500 to $5,000). This raised again the thorny question whether the state, as employer, should be compelled to accept the same conditions as it imposed on private employees. The federal, Queensland, South Australian, and New South Wales governments all accepted the logic of the situation and gave their employees certain rights of access to wage regulating tribunals, though not without a good deal of hesitation, and occasional reversals of policy.

Here, then, is the machinery. How does it work? There are so many lines of criticism that one cannot indicate more than the principal ones. A frequent objection from both sides is that the machinery is too complicated and intricate. Its very slowness creates dissatisfaction and predisposes the combatants to the more direct trial of strength by strike or lockout. Boards may not be formed for months, and further months may elapse before an award is issued. Or, if a dispute arose and the matter referred to a court, there would be a long list of waiting cases which meant even more delay. This is perfectly true. It is also true of most legal processes. Any country which contemplates the subjection of wages to public supervision must count, among the costs, the expansion of its judiciary. The governments of Australia have been slow to provide a sufficiency of judges for this work.

Moreover, the system is costly, especially in the industrial courts, where arrays of pleaders take heavy toll from the unions. But are strikes less costly? It would be diverting if it were not saddening, to hear denunciations of the costliness of arbitration following hard upon intricate calculations of the amount of profits and wages lost through industrial disputes.

Again, it is complained that in the courts the realities of an industrial situation become obscured in a fog of legal definitions. What is a factory? What is a union? What is a workshop? What is a laborer? Unionists become impatient with this kind of thing. Union secretaries become lawyers in embryo and neglect other important aspects of their work. The answer to this criticism is that modern industry is intricate and complex. Definitions must precede principles, not only in law courts, but also in round table conferences.

These difficulties, and others of the same kind, are bound to occur when economic relationships are brought within the province of law. They are not, however, insuperable and will tend to lessen as industrial law develops with the development of industrial courts and becomes, in the words of President Jethro Brown, "a body of principles worked out from precedent to precedent, and adapted from time to time to meet the needs and aspirations of a progressive society." But the lawyers must be constantly reminded that this "adaptation from time to time" is vital. Otherwise the juristic desire for order and precedent may crystallize economic organization in its present forms, and hinder its evolution to forms better fitted to meet changing conditions.

One enormous disability under which the wage-fixing tribunals have had to work is the confusion which arises from the constitutional position of the Commonwealth Arbitration Court. Its jurisdiction is confined to disputes extending beyond the limits of one state. For the Australian Constitution reserves industrial powers to the states. The framers of the Constitution thought of disputes which might arise in connection with such industries as shipping and shearing. And for these contingencies the Federal Arbitration Court was established. But it was soon decided that this court could deal with disputes in industries in which the workers were organized in federal unions which had branches in different states, or in which employers from more than one state were concerned. Unions, therefore, began to organize on a federal basis in order to appear before the federal or the state tribunal as it suited them. This playing off of one tribunal against another has had most confusing and sometimes inequitable results. In a large engineering works the fitter's laborers could be found working on a federal basic wage fixed for a family of five, while skilled fitters, under a state award, would be working longer hours with wages calculated from a basic wage

fixed on a family of four. The remedy appears to be in a constitutional revision; but so far that remedy has not been adopted.

Turning from these judicial and constitutional handicaps, which, be it remembered, are not necessarily a part of any system of wage regulation, but which would certainly be encountered in the United States, we come now to objections that are more purely economic. And, on the very threshold of the inquiry, we are brought sharply up against the fact that real wages were not advanced for twenty years after the machinery had been set in motion. The following table compiled by the Commonwealth statistician will illustrate this:

Index Numbers: Basic Wage: Nominal and Effective (1911 = 1000)

Year	Nominal wage index	Percentage unemployed	Retail price index	Effective wage index allowing for unemployment
1901	848	6.6	880	945
1907	893	5.7	897	986
1911	1000	4.7	1000	1000
1915	1092	9.3	1278	813
1920	1627	6.5	1785	894
1921	1826	11.2	1697	1002
1922	1801	9.3	1600	1072
1923	1805	7.1	1700	1035
1924	1840	8.9	1681	1046
1925	1861	8.9	1722	1033

Thus, from 1901 to 1920, prices rose steadily and wages did not catch up to them, although for the greater part of this period they were regulated by the state. From 1911 the real wage shows a regular decline until 1921. In 1920, prices began to fall and wages began to follow them, but with a definite time lag. They did not fall so far nor so quickly as prices, with the result that real wages reached and passed the 1911 mark and have remained above it since then. In 1925, the effective wage was 313 per cent higher than in 1911 even allowing for unemployment.

Since the practice has been adopted in Australia of fixing wages according to the cost of living, some explanation seems to be required of the wages lag up to 1920. It is not enough merely to state that this was an era of rising prices. Why did not the wages keep up to the prices? The chief explanation is, I believe, the practice adopted of fixing wages on costs of living ascertained for a previous period, although the wages must be spent during a subsequent period when prices may be higher, as they were from 1901-1920. It is hard to see how this can be avoided. Wages must be fixed for a definite period at a definite time. In a period of slowly changing prices, this method may give satisfactory

results, but when, as during the war, prices rose sharply, the wage earner was disadvantaged. Various ways of meeting this difficulty have been suggested. In 1921, the Federal Court deliberately added three shillings a week to the calculated basic wage to ensure that the workers should receive the real wage intended by the Court. It is significant that the Federal Arbitration Court has now adopted the method of varying wages from quarter to quarter to prevent this disparity. The same time lag is evidenced during the fall of prices after 1920, and the worker benefits by spending his wages in a period of lower prices than those obtaining during the period on which the wages were calculated.

In addition to this, there is the factor of "passing-on." There is little doubt that wage increases in Australia have largely been passed on to the consumer, especially in the manufacturing industries, and indeed, wherever the commodities are consumed in Australia. Where the product was competing in the world market, competition checked the passing-on process and wage increases had to be met, to some extent, by improved equipment and organization. But it must be remembered that 95 per cent of the commodities exported from Australia come from the primary industries and only 5 per cent from manufacturing industries. Inside Australia the passing-on process has been encouraged by the existence of a high tariff, which enables manufacturers to conform to wages awards by the simple device of raising their prices to the public, among whom, of course, are their own workmen.

The whole system of wages regulation in Australia has hitherto rested on the doctrine of the basic or living wage from which all other wages are variants. This terminology is apt to be confused by the introduction of the term "minimum wage." Generally, the living wage and the basic wage mean the same thing. They mean that sum which is calculated to be necessary to support life for a worker and his family in accordance with the lowest standard accepted by the court. No industry may pay less than a living or basic wage. "This living wage is a thing sacrosanct beyond the reach of bargaining."[2] But a minimum wage is a wage fixed after consideration of the general conditions in an industry. The minimum wage may be higher than the basic wage. It must not be less. It applies to a particular industry and it "may be affected by considerations of expediency which would be irrelevant in the calculation of the living wage."[3] A recent Queensland commission proposes the use of the terms "standard basic wage" and "minimum basic wage" to indicate practically what Higgins describes as the

[2] Mr. Justice Higgins, *A New Province for Law and Order* (No. 7 W. E. A. Series Australia).

[3] H. B. Higgins, *op. cit.*

minimum wage and the basic wage.[4] In this article, however, the terminology of Higgins will be followed.

Obviously, the method of determining this basic or living wage is extremely important. On what principles is it to be calculated? It is to be observed that the wording of the statutes gave no help, nor did the speeches of the legislators who introduced the bills which originated the wage-fixing tribunals. Kingston talked about "that spirit of fair play and natural justice which generally animated residents in the colony." Pember Reeves of New Zealand expected the tribunals to decide according to "equity and good conscience." The silver-tongued idealist, Alfred Deakin, looked to the courts for "the establishment of social justice." Thus, the first arbitration court judges had to make their own principles. J. Heydon in New South Wales in 1905 laid it down that "every worker, however humble, shall receive enough to enable him to lead a human life, to marry, and bring up a family and maintain them and himself with, at any rate, some small degree of comfort."[5] In 1907, Higgins came to the presidency of the Commonwealth Arbitration Court. A keen student of social reform, an earnest advocate of the federal bill, he was nevertheless a cautious lawyer, and he conceived it to be his business to save this new province for law and order from empirical flounderings from one decision to the next. The Excise Tariff act of 1906 had declared that Australian manufacturers could be excused from paying an excise duty if the conditions of labor in their factories were (a) declared by Parliament to be fair and reasonable; (b) in keeping with an award of the Federal Arbitration Court; (c) in keeping with an industrial agreement filed before that Court; or (d) declared by the President of that Court to be "fair and reasonable."[6] Every one of these qualifications except the first implied that the Federal Court had adopted a standard of what was "fair and reasonable." The first threw the onus of determination on the legislature, but the legislature never shouldered it. No declaration of what was "fair and reasonable" had been made by Parliament. Almost immediately Higgins had to face this question in connection with an application for remission of excise on the grounds that the labor conditions of the applicant were "fair and reasonable." As Higgins afterwards wrote, he had "no guide but the pole star of justice."[7] He protested against the shunting of legislative responsibility, complained that Parliament should have decided what was "fair and reasonable," and then proceeded to do the job himself. On what principles did he

[4] *Report of the Economic Commission on the Queensland Basic Wage*, p. 31.
[5] H. Heaton, *Modern Economic History*, p. 267 (W. E. A. Series, Australia, No. 5).
[6] See Heaton, *op. cit.*, p. 178.
[7] Higgins, *New Province*, etc., see preface.

proceed and how did he arrive at his estimate of fair and reasonable wages? This is important, because the Higgins declaration became for years the classic guide for wage regulation in the Commonwealth.

He announced that he took as his standard "the normal needs of the average employee regarded as a human being living in a civilized community." Before we consider his interpretation of this standard it may be well to remark that "standards of living" were afterwards described in the statutes of various Australian states, and that, in every case, something like the Higgins and the Hayden judgments was reproduced. Thus, Western Australia defined a living wage as one that would give "reasonable comfort." The South Australian Arbitration act of 1912, defined it as "a sum sufficient for the normal and reasonable needs of the average employee living in the locality where the work is done." The Queensland act of 1916 provided that "the minimum wage of an adult male employee shall not be less than is sufficient to maintain a well conducted employee of average health, strength and competence and his wife and family of three children in a fair and average standard of comfort."

All these pronouncements, legislative or judicial, are seen upon examination to hinge very largely upon custom. Notice how the expressions "a human life," "normal needs," "human being," "reasonable comfort," "normal and reasonable," "fair and average," keep on cropping up. Now "normalcy" and "sweet reasonableness" may be good words for politicians, or even for theologians. But these are difficult coin to bring into judicial currency. Nor are they always complimentary. A normal wage may be far from reasonable, even as a reasonable wage may be far from being a normal wage. All of these pronouncements are, in reality, turning back to the old medieval doctrine that wages must be "fair." And no other interpretation of "fair wages" has yet been given than that they should enable a man to live the life which the community of which he is a member thinks he ought to be able to live. In short, "fair" wages are customary wages. The determination of this standard in the Middle Ages was fairly easy because the "communities" were small and self-sustained and their outlook was easily ascertainable. Everybody in the medieval town knew whether Nick Bottom, the weaver, was giving his journeymen enough to enable them to pay their church dues, keep the ecclesiastical feasts, and generally function as good townsmen. Everybody on the manor of Tubney knew what was the custom of the manor and whether the wages of Hodge, the ditcher, and Gurth, the swineherd, conformed to it. But it is not so easy to determine the custom of New York, London, or Sydney in respect of wages. Nor is it indeed easy to say what standard of life these communities think their workers ought to have. For whose

idea of the standard of life is to be taken as the determining factor? Is it that of a radical socialist, or of a liberal publicist, or of a harassed employer, or of a standpat conservative politician? In plain truth, custom tends to become what the average worker gets. If he can get more and hold on to his higher standard for a sufficiently long time, then the improved standard becomes the customary standard, that wage satisfies the normal need, and provides the livelihood expected by a civilized community.

The danger of this method of basing wages on customary ideas of what they ought to be is that it will tend to stereotype the workers' standard of life at that stage which it had reached when the first basic wage was declared. This is just the objection that has been advanced by the workers in Australia over and over again. It underlay the demand for a revision of the standard of 1907, a demand which found expression in the appointment of the Basic Wage Commission of 1920.

The difficulty therefore was to translate custom into dollars. What was a fair-sized family? How much food, clothes and shelter were reasonable? Were tobacco, newspapers, beer, life insurance, and the movies unreasonable? Higgins, in 1907, made what he admitted to be a rough estimate. He examined the budgets of nine housewives, took evidence from one house agent, and had regard to actual wages then being paid by certain public and private bodies in Melbourne. He took the average family as consisting of a man, wife, and three children. He then declared a basic wage of 7s ($1.68) per day or £2. 2s. ($10.08) per week.

This standard, now universally called the Harvester standard, became the model for all awards. For some years all federal awards and most of the state awards were based on this wage, increased to meet costs of living in accordance with the index numbers furnished by the Commonwealth statistician. Then came the war, and, with it, violent price movements. In 1915, the president of the Arbitration Court of New South Wales abandoned the Harvester standard temporarily on the ground that the wages it fixed were too high. On the basis of the 1907 estimate of the needs of an average employee, the living wage would have been £3. 3s. ($15.12) per week, but the president's award was only £2. 12s. 6d. ($12.60).

The Harvester standard has always been quoted as a wage based on the cost of living. The basic wage was so regarded by Higgins who spoke of it as a "thing sacrosanct" and beyond the reach of "bargaining." And the "Harvester equivalent" was adopted by the wage tribunals of the states on this understanding. But was the Harvester wage based solely on the cost of living? Higgins had had regard to wages actually paid to unskilled workers in Melbourne when he made

his declaration. The court was not able to estimate what was necessary for miscellaneous expenditure other than food and rent. When it allowed for these two items, it assumed that the margin between this and the rate of 7s. a day actually then being paid, would cover the miscellaneous expenditure. But the rate of 7s. a day actually being paid in Melbourne was fixed by the masters and men, not solely on the basis of its adequacy to support life, but to some extent, on the masters' idea of what the industry could afford. To this extent, therefore, other factors than cost of living had been taken in account by Higgins in 1907. And certainly other factors were taken in account by Heyden in New South Wales in 1915 when he decided, as we have seen, that the Harvester equivalent was "too high."

The foregoing account has, it is hoped, revealed two lines of criticism about the determination of the basic wage according to the cost of living as it was actually fixed in Australia in 1907. One criticism is that the Harvester standard was never really based solely on the cost of living and it, therefore, should never have been regarded as having been so based. The fact that it has been so regarded has turned the attention of wage-fixing tribunals away from other possible principles of wage fixation, and has tended, in fact, to obscure the overt consideration of capacity to pay as the important factor in regulating wages. The other criticism, which has come mainly from the workers, has been the objection that the procedure of 1907, readily adopted throughout Australia, has tended to stereotype the workers' standard of life, and prevent it from rising. Moreover, it is urged that the Harvester decision was based on too narrow a survey of what were the essential needs of the workers. Both these groups of criticism have had important effects on the development of wage regulation. Let us consider them in turn.

The feeling that wages tribunals should give more definite consideration to the condition of the industries concerned in their awards, has grown steadily since the war. In 1920, the President of the South Australian Court when considering "the normal and reasonable needs of the average employee" took occasion to remark: "I have frequently said that such needs cannot be interpreted without reference to national income and national output."[8] In 1921, the Commonwealth Court dealing with the Wallaroo and Moonta Copper mines, although refusing to make an award which would fix wages below the Harvester equivalent, yet agreed to suspend the award provided that the employees were willing to accept a lower wage. The other words, taking into account the abnormally depressed conditions in the copper market, the Court was willing to waive the basic wage principle and allow masters and

[8] *South Australian Industrial Arbitration Records*, vol. III, p. 251.

men to settle wages in such a manner that the industry might be carried on. In 1922, the Queensland Court reduced the wages of employees on cattle stations (ranches they would be called in America), where food is provided from £3 to £2. 10s. ($14.40 to $12.00). This practically brought these wages to the Harvester equivalent. The Court gave as its reason the "well known depressed condition of the industry."[9] Two years later the same court raised the wages of the employees on sheep stations from £3 a week with keep to £3. 10s. ($14.40 to $16.80), because of the "clearly established highly prosperous state of wool raising."[10]

At the end of this year (1924) Mr. Justice McCawley, president of the Queensland Arbitration Court, appointed a commission of three to inquire to what extent it was practicable and desirable, in adjusting wages, to take into account the variations in productivity of different industries. In passing, it may be noticed that, of the three members of this Commission, one was an industrial statistician in the employ of the Commonwealth government, and the other two were professors of economics in Australian universities. This is the first time that the wage-fixing authorities of Australia have officially called in the aid of economists. The Commission reported early in 1925. It recommended that the chief guide in declaring a basic wage should be the capacity of industry to pay wages and that cost of living should only be taken in account after capacity to pay has been ascertained. It further recommended that capacity to pay should be determined from figures showing changes in income per head, past production per head, and future estimated production per head; and it suggested a method for obtaining the index of capacity to pay.[11] The method suggested was to obtain an index of the material production per head for the year preceding the declaration of the wage, and an estimate of this for the year for which the declaration is made. The average of the two is then to be regarded as the required index of capacity to pay. In passing, it may be noted that the Commission's plan of declaring a basic wage once a year will not avoid the time lag between wages and productivity, which has been a marked characteristic of wage fixation in Australia.

This Commission had barely delivered its report, and the Queensland Court had not considered it, when Mr. Justice McCawley died suddenly. This was a very severe loss to Australia. Like Mr. Justice Higgins, McCawley had devoted himself single-heartedly to his Court, and spent himself upon it. His two colleagues, discussing the recommendations of the Commission, agreed that the Court might secure that the workers

[9] *Queensland Industrial Gazette,* 1922, p. 575.

[10] *Ibid.*

[11] *Report of the Economic Commission on the Queensland Basic Wage,* 1925.

should share in the prosperity of an industry when such prosperity could be shown to exist, but they decided not to alter the existing system nor the existing wages. One thing which no doubt influenced them was the fact that the Queensland Parliament had passed legislation introducing a compulsory forty-four hour week in all industries. Previously a forty-eight hour week had been worked.

The report of the Commission did not create any great stir in Australia. From the side of labor it was urged that this plan of making wages depend on the amount of production would mean that the workers would have to bear an unreasonable share of the burden of trade fluctuations. Since capital is rewarded for taking the risks of industry, it should bear the burdens as well. The worker takes a lower reward because he is supposed to get security. But this plan threatens the security of his wages under the existing system. With regard to this objection, it might be pointed out that, in any case, the worker's security depends on production. For if production ceases to be profitable for any reason, it will no longer be undertaken. And the worker has then to face the fact of unemployment. Indeed, it has been suggested that in so far as wages based on the cost of living have been fixed too high relatively to production per head, this practice has increased unemployment.[12] This, however, would seem to depend upon what is meant by "too high relatively to production per head."

It is interesting to observe that the chairman of the Queensland Commission has since expressed the opinion that there would be a "much greater lag" between wages and prices if wages were to be fixed on the basis of production index numbers.[13]

Meanwhile the whole question of the capacity of industry to pay wages based upon a standard of living which the community thinks is reasonable, had been brought sharply before the public mind by a Federal Commission appointed in 1919. This Commission was not asked to consider "capacity to pay" at all. It was appointed as a result of the growing discontent with the Harvester scheme. This discontent represents the second of the two lines of criticism to which we have referred. It was felt that the Harvester figure had been too low originally, that Judge Higgins, in fixing it, took account of too few of the items necessary to a reasonable standard of comfort, and that the price index number furnished by the statistician was only based on food and rent and did not show the increases in price of other necessaries. Nominal wages were thus too low, and moreover the workers'

[12] "Some Effects of Wage Regulation in Australia," by F. C. Benham—a paper read before the Economic Society of Australia, July 12, 1926.

[13] "Wages and Production" by J. T. Sutcliffe, *Economic Record* (Australia), vol. I, no. 1, p. 70.

standard of life was being stereotyped at a point reached by certain employees in Melbourne in 1907. The federal government of the day, therefore, appointed a commission to inquire "into the actual cost of living at the present time, according to reasonable standards of comfort, including all matters comprised in the ordinary expenditure of a household, for a man with a wife and three children under fourteen years of age."

The conclusions of the commission were therefore quite untrammelled. Obviously, its findings would depend on what standard of life it adopted for the workers. It took evidence at great length and in considerable detail. In 1920, it unanimously reported that the money cost of what it reckoned to be a reasonable standard for a family of five was £5. 16s. ($27.84) per week. All Australia sat back and gasped. The basic wage in New South Wales was the highest in Australia at that time, and it was £4. 5s. ($20.40) for a family of four. The federal basic wage was £3. 18s. ($18.72), although according to the Harvester equivalent, at that exact time, it should have been £4. 3s. ($19.92).

The Chairman of the Commission—Mr. A. B. Piddington—accompanied the report with a memorandum. And it was this memorandum that introduced the aspect of capacity to pay into the discussion on the report. He admitted that the payment of a basic wage of this amount would ruin Australian manufacturing industries, and very seriously cripple primary industries. He then proceeded to indicate a way round the problem. If production was not adequate to pay all wage earners such an amount, was it not possible to pay wages according to the need of the recipient? His plan was that each male employee should be paid a flat basic wage, calculated on the cost of living for a man and his wife only, and that the employers should pay into a state fund a certain sum weekly for each man employed. The aggregate of this payment plus the flat basic wage would be considerably less than the £5. 16s. recommended by the commission. From the state fund thus created, the mothers of children of wage earners could claim a weekly allowance—say of 5s. ($1.20) for each child. Thus the total family income would be adjusted to the actual size of the family.[14]

By this plan the basic wage would be considerably reduced, single men would no longer be paid on the assumption that they supported a family, and the total wage would conform to human needs. This scheme had been proposed some years earlier by the Premier of New South Wales, W. A. Holman, but nothing had come of it. The Commonwealth government partly adopted Mr. Piddington's suggestion by granting to those of its employees who were receiving less than £400 ($1,920) per annum, an allowance of 5s. ($1.20) for each dependent child under fourteen years of age. This principle could be more easily

[14] *The Next Step*, by A. B. Piddington, Macmillan, Melbourne, 1920.

applied to a public service than to industry generally. For in a public service there is no question of the state collecting a tax from the employer, and there is little likelihood of discrimination in favor of childless men.

There was no attempt made to apply this plan to industry in general, and here matters stood until 1926. In that year the Labor government of New South Wales appointed Mr. Piddington as Industrial Commissioner for the state. His duties included the declaration of a basic wage for New South Wales. He duly declared a basic wage for 1927 of £4. 4s. ($20.16) per week. But he pointed out that he did not consider this sum adequate for a family of more than one child, *i. e.*, a family of three persons. Instead of increasing it to meet the New South Wales requirement of a man and wife and two children, he urged the government to introduce a scheme of family endowment on the lines of his recommendation in 1920.

As a result, New South Wales passed a Child Endowment bill in 1927. The bill, as originally introduced, provided for a payment of 5s. per child per week to the mother of every child in the state whose husband's income was less than £364 ($1,747.20) per annum, and the cost of this was to be raised to £6,000,000 by a 6½ per cent tax on the wages bills of all employers and a payment of £2,000,000 from consolidated revenue. The bill was, however, drastically altered in its passage through the legislature and, in its final form, makes the following provisions. The Industrial Commissioner must declare each year a basic wage fixed on the requirements of a man and his wife with no children. The endowment of 5s. per week for each child will be in addition to the basic wage so declared, but will not be paid to anyone whose wages exceed the sum of the basic wage plus 5s. per child. Thus, supposing the basic wage to be fixed at £4 a week, an employee with a wage of £4. 5s. and with one child will not be entitled to child endowment, but an employee with a wage of £4. 5s. and with three children would be entitled to receive 10s. a week child endowment. The cost of the scheme is thus greatly reduced and it is to be met by a tax of 3 per cent on the wages bills of all employers, both private and state.

Here, then, is the first actual experiment in Child Endowment in Australia. Already legal objection has been taken to the collection of the tax of 3 per cent upon the wages bills of private employers on the ground that this tax is unconstitutional. Decision has not yet been given on this point. But, assuming that the government is allowed to collect the tax, the opinion is freely held that the measure will not be satisfactory, because it is restricted to one state. It is held that any permanent scheme of child endowment will have to be continent wide and backed by the federal government. The federal Prime Minister—Mr. S. M. Bruce—holds this view, but he also knows that his govern-

ment has no power to legislate for child endowment under the terms of the Australian constitution. He has, however, called a conference of state premiers to consider whether a uniform scheme of child endowment could not be prepared and submitted to each of the state parliaments. This conference has done no more than reiterate the need for a scientific reconsideration of the problem.

One hesitates to offer any summing up on the general question of the legislative fixation of wages in Australia. For this would involve large generalizations and this is a field where large generalizations are apt to be rendered unsound, not only by further research, but also by further actual experimentation. But this much can be said. The legislative fixation of wages in Australia has eliminated sweating; it has reduced hours of labor; it has maintained the standard of life of the worker at a little below its former level during the critical war and post-war period; and it has advanced that standard since. On the other hand, the Australian worker's standard, while higher than that of most European countries, is not as high as that of numbers of the American workers, which has been attained without any legislative wage fixing machinery. The system has been criticized because, in so far as it has neglected to consider productivity, it has handicapped Australian industry, and because it has not diminished unemployment. The case for these criticisms cannot, in the opinion of the writer, be said to have been proved. The criticisms that wage fixation has failed to maintain the margin of skill in wages, and has also tended to stereotype the workers' standard of living, appear, however, to be soundly based.

These tribunals were first instituted to insure industrial peace. This they have not done. In the five years from 1919 to 1923 there were 2,357 strikes in Australia and 11,000,000 working days were lost. Yet if we look at the figures we find that about a thousand of these strikes lasted for one day or less and the great majority of them occurred in the mining and inter-state shipping industries, which are the storm centers of Australian industrial life. An examination of the statistics of strikes led Mr. Justice McCawley to declare that the working days lost through strikes, even during 1917, when something like a general strike took place in New South Wales, did not, if averaged over all the workers in Australia, amount to more than the time that would have been lost by the granting of two holidays each year. Further, it should be remembered that these arbitration tribunals have functioned during a period of world-wide industrial unrest. Strikes have increased in countries where there is no industrial arbitration, as well as in countries where there is arbitration. It would, therefore, seem illogical to blame arbitration for the increase of strikes, as is sometimes done. All we can say is that arbitration certainly has not succeeded in preventing

strikes in Australia; and, in that, it has fallen short of the hopes of its founders.

An outside observer will doubtless always be puzzled why Australia should have been the field for so many advanced social experiments. And such an observer will never quite understand the reason of this unless he manages to catch a glimpse of the Australian outlook. Australia is a country without doctrines. Its social outlook is a curious compound of empiricism and tolerance. It believes in a high general standard of living, and it thinks it ought to be able to achieve this. It further believes that a satisfactory solution of social problems involves far more than technical economic considerations. There are probably no people in the world so likely as the Australians to make an orthodox economist angry. Confront them with their fallacies, and they will grin, and then settle down to make the best of both worlds. In this temper and with this outlook, they initiated the legislative fixation of wages. And it does not seem likely that they will abandon it for a very long time.

Yet it is the opinion of the writer that arbitration and wage fixing cannot be satisfactorily carried on for much longer in Australia under the existing constitutional conditions. The confusion arising from conflicting state and federal awards is constantly hampering the social usefulness of the courts. Moreover, modern industry is continent wide, as the people of the United States well know. No scientific consideration of the basis of wage regulation can bear fruit when applied to one state alone in a federation like Australia. A Queensland Court cannot fix a wage which is much higher than the wage fixed by its southern neighbors. For reasons of competition the wage level in all states must approximate equality. This cannot be accomplished unless wage regulation is considered from a national point of view. It might be possible for a commission nominated by all the states to evade the difficulties by fixing a uniform standard. But it would appear simpler to transfer the authority to fix wages and to supervise industry from the states to the Commonwealth. This will necessitate a change in the Australian Constitution which will have to be approved by a referendum. Four times the Australian people have been asked to take a step in this direction, twice by a labor government, once by a composite post-war government, and once by the present anti-Labor government under Mr. S. M. Bruce. Four times the people of Australia have refused. Australia has been a Commonwealth for twenty-six years, but the idea of state rights dies hard. Nevertheless, it is the opinion of the writer that this change cannot be postponed much longer. And, until it has been accomplished, the whole system of wages regulation as undertaken in Australia, cannot be said to have had a fair trial.

G. V. Portus

University of Sydney

COMMUNICATION

Mr. Shafer on the Equation of Exchange and the Business Cycle

Mr. Shafer's discussion of the business cycle in the December, 1928, number of this journal contains a section on the equation of exchange. He starts out wisely by defining his concept of the various terms in Professor Fisher's familiar form of the equation: $MV + M'V' = PT$. It is my intention to point out certain inconsistencies in these definitions and the way in which they lead to wrong conclusions. According to Mr. Shafer, ". . . . M represents the volume of money in circulation; V indicates its velocity; M′ stands for the credit extended; V′ is its rate of turnover; P represents an average price for all commodities; and T stands for the volume of trade or output."[1]

The first thing which I question is his concept of M′. His concept of M is obviously the usual one of the amount of money in circulation at any time. M′, on the other hand, is the first derivative with respect to time of the amount of credit in existence. This is made plain on the next page where he states, "While we are expanding mercantile and bank credit, M′V′ is a positive amount and enables us to raise prices and 'make money.' But in a depression M′V′ becomes negative."[2] The amount of credit in existence multiplied by its velocity of circulation can never be negative. Therefore, it seems obvious that Mr. Shafer considers M′ to be the rate of change in the amount of credit in existence. This is not Professor Fisher's concept. He defines M′ as ". . . . the total deposits subject to transfer by check."[3] It is also not in agreement with the definition of M as the volume of money in circulation. Thus the proof presented by Mr. Shafer that M′V′ disappears "over the entire period of the business cycle and for the whole of economic activity"[4] is only a proof that its first derivative disappears. The reason given is that "the amount of liquidation must be equal to the amount of expansion."[4] What has been proved is that, if the assumed conditions are true, M′V′ is a constant in the period under consideration. If M′ V′ does not disappear, the equation of exchange cannot be reduced to $MV = PT$, as is done here. This means that the general conclusion, ". . . . should we desire to abolish the business cycle and its many evils, we must eliminate credit in all its forms,"[5] is also untrue.

Again, I am not able to discover the exact meaning of his concept of T, the volume of trade or output. He states, "V and T must be identities when observed over the entire period of the business cycle."[4] Apparently there has been some confusion between T, considered as the total amount produced in a given amount of time in some imaginary unit common to all things,[6] and the rate of change of this quantity, or its first derivative.

[1] Am. Econ. Rev., Dec., 1928, p. 626.

[2] *Ibid.*, p. 627.

[3] *The Purchasing Power of Money*, p. 48.

[4] Am. Econ. Rev., Dec., 1928, p. 627.

[5] *Ibid.*, p. 626.

[6] This is the concept of Professor Fisher as expressed in *The Purchasing Power of Money*, p. 27.

The confusion resulting from the failure to distinguish between a mathematical quantity and its first derivative with respect to time has resulted in a false conclusion with respect to the rôle of credit in the business cycle. The author eliminates the credit term from the equation of exchange for a static state and believes that the permanent removal of that term would assist the perpetuation of the static state. The entire article suggests the necessity of making accurate definitions of terms before embarking on an analysis of a mathematical nature.

New York City CAROLINE WHITNEY

General Works, Theory and Its History

Der Moderne Kapitalismus. By WERNER SOMBART. Band I, *Die vorkapitalistische Wirtschaft;* Band II, *Das europaische Wirtschaftsleben im Zeitalter des Frühkapitalismus;* Band III, *Das Wirtschaftsleben im Zeitalter des Hochkapitalismus.* (München and Leipzig: Duncker & Humblot. 1928. Pp. xxiv, 462; ix, 463-919; xii, 585; xi, 589-1229; xii, 516; x, 517-1063. M. 75.)

Enthusiasm must be the response of anyone who studies this life work of Sombart. The wide range is astonishing. It does not pretend to be his own original researches in the documentary sources. He has rather put together in a truly "genetic-systematic" manner the research of others. The volumes are an encyclopedia and bibliography of nearly everything and everybody that an economist wishes to know or guess about, from Charlemagne to Stinnes, from religion to war, natural resources, invention, over-population or the future of capitalism. His one grand synthesis of a thousand years rises to the level of genius. Any on-coming economist can dig from it a dozen courses of lectures for intensified students. How could one lifetime compass anything so monumental? What was the driving inspiration? What method made it possible? The very point of view of our criticism, an American point of view, could be made clear to ourselves only by the vigor and scholarship of this huge and stimulating work. The whole is a view of European economic life, and America comes in partly as the colonial expansion and mainly as the culmination of European capitalism.

Our inheritance of American individualism, of pragmatism and abundance of resources raises critical questions all along. In no way do they diminish but rather enhance our enthusiasm over Sombart's work. They relate entirely to the theoretical point of view which he has inherited from the European thousand years of class struggle. It is around this struggle that he brings together in orderly interpretation his masses of material. Our perhaps quite colonial animadversion is solely against Sombart as the "ideal-typus" of continental Europe. Sombart as the high point reached by that type forces our appreciative recognition.

From Sombart's point of view his meaning of "capitalism" is highly fitting. He expressly says that his "genetic-systematic" treatment is intended to furnish a living picture and neither a dry description nor a philosophical unfolding of Europe's economic life. He certainly succeeds. But he does so by defining capitalism as the "capitalist spirit."

Capitalism was created by the capitalist spirit (1:139). Preceding this was apparently the handicraft spirit which created handicraftism, and further back the feudalistic spirit which created feudalism, or the monarchist spirit which created absolutism. Each is an "epoch" which has its small beginnings, its peak and its decline.

What the term capitalist spirit means for him is by way of contrast with the handicraft spirit. The capitalist spirit is the motive to accumulate unlimited profit in the form of money-values without any sense of obligation to anybody else whatever. It is solely *Gewinnstreben*. Contrasted is the *Bedarfsdeckungsprinzip* of the handicraft epoch, namely, to share and share alike the limited supply of worldly goods needed to meet customary wants. The contrast turns on the distinction between "tools" and "machines." The capitalist spirit, by the ownership of power-machines and access to expanding markets, has an almost unlimited prospect of accumulating wealth, but the handicraft workman—whether master, journeyman or apprentice—sees no prospect of unlimited wealth.

These contrasts certainly, at Sombart's hands, give life and spirit to dull technology and markets. But the question arises: Is economic history best organized around concepts of different kinds of spirits, or around different kinds of social relations and transactions? We suggest that the problem is similar to that faced by Darwin. Shall evolution of organic species turn on special creations of different life forces and moral characters of tigers, cows, etc., or on the heredity, overpopulation, variability, struggle, death and survival, which are the observable ways in which an otherwise unknowable life force actually operates? It is not the origin of life; it is the origin of species.

Sombart rightly claims that his is the first employment of the double treatment of economic history as a theoretical-empirical, or genetic-systematic, problem. He does not mean thereby to overlook Max Weber—in fact he attributes to Weber the friendly criticism upon which he now bases the fundamental difference between his present work and the original edition of 1902 (1: xiii). Weber had pointed out that in that earlier work Sombart had not clearly distinguished his theoretical assumptions from his organization of the historical and empirical data based on those assumptions. Now, therefore, in the present work, he is able to distinguish himself from Karl Marx, which he was not able to do in his first edition. Marx's greatest error was that of mixing the theoretical and historical treatment of his subject, whereas Sombart now interweaves the two without confusing one with the other (3: xvi).

Therefore, Sombart's present treatment of his problem becomes a synthesis of Marx and Weber. From Marx he gets the economic idea

of "surplus value"; from Weber he gets the methodological concept of "ideal-typus." But it turns out that this ideal-type, at Sombart's hands, is a hypothetical construction of what *would be* an economic system in which the sole motive is none other than Marx's own struggle to get that same surplus value (*Gewinnstreben*) regardless of any sense of obligation to anybody whatever in the process. This he names the capitalist spirit (*kapitalistischer Geist*). So, what we have is a theoretical working out of the capitalist spirit into its ideal-type, which he calls *Hochkapitalismus*, and an empirical investigation of how it actually worked into this same peak-capitalism. In short, the ideal-type is a theoretical abstraction, not, indeed, of the classical "economic man" who did not need a money economy, but of Marx's typical capitalist striving for endless profit through the institution of money, regardless of consequences to others; and the historical investigation is that ideal-type made concrete by comparison in time and place.

The place is European civilization, beginning with England, then spreading to northwest Europe, then to the United States. The time is the 150 years from the invention of the coke-oven in 1760 to the World War in 1914. Prior to 1760 it was infant capitalism (*Frühkapitalismus*); after 1914 it has the "gray hair" and "falling teeth" (3: xi) that indicate the first signs of senile capitalism (*Spätkapitalismus*).

How does he infer that 1914 was the peak of high capitalism and the beginning of decadent capitalism? He judges it by the following symptoms: the introduction of "normative" ideas into the purely "naturalistic" existence of capitalism; the abdication of the profit motive (*Gewinnstreben*) as the sole determining criterion of economic behavior; the slowing down of economic power of expansion; the repression of animal joy (*Sprunghaftigkeit*) in the process of evolution; the displacement of free competition by mutual understandings; and the constitutional organization of industry (3:xii). These are not symptoms of the triumph of capitalism, as others maintain, for they indicate the reverse of that ideal-type of capitalism which is to be found in freedom of capitalist enterprise, vigorous expansion of industry, and the primacy of the profit-motive. They are rather symptoms of communistic rationing, which means the slow decay of capitalism (3: xii, xiii).

It is perhaps captious in view of our admiration for Sombart's work, to withhold admiration of this dramatic display of the possibilities of Weber's ideal-typus. As here used it is as much an isolation from the immense complexity of facts as was the economist's economic man whose self-seeking ended in that marginal utility theory which stirs Sombart to indignation. Faith in the virtues of the ideal-type is a temptation towards the grandeur that can summarize a whole epoch into one

dominant motive about which all of the facts gather themselves like magnetized filings. If we should attempt to apply this theoretical-empirical method to American history we should apparently find that the peak of the ideal-type was reached during the decades following the Civil War, when the dominant capitalists such as Gould, Vanderbilt, Drew, Rockefeller and Carnegie showed the pure capitalist joy of struggle for endless profit regardless of obligation to others; and that the decadence of capitalism began when the Interstate Commerce act was made effective after 1910 and when, about the same time, the Steel Corporation, under the leadership of Gary, reversed the ruthless policy of Carnegie and led the way to the modern "live-and-let-live," "follow-your-leader," "business ethics" capitalism, sustained eventually by the Supreme Court in the the Steel Corporation dissolution suit, 1919.

Whether this later period shall be characterized as the signs of decadence of capitalism or as signs of the high stabilization of capitalism is more than a matter of words—it is a question of validity of the ideal-typus method of historical research. If the ideal-type is considered to be the working out of a single subjective principle—such as the endless profit motive regardless of consequences to others—then we may perhaps now be witnessing the decadence of capitalism. But if we seek some objective principle—such, we may say, as abundance or scarcity of opportunities for getting profits—then it may be that we are witnessing the stabilization of the supremacy of capitalism. Apparently some objective, rather than subjective, criterion is needed for the American situation. During the centuries of abundance of resources and expanding markets, it was measurably true that individuals could seek unlimited profit by unscrupulous methods without injuring any large number of people. And, during the more recent period of gradual closing of resources and markets we do not see a lessening—rather we see an expansion and intensifying—of the strife for profit, but it takes different directions owing to scarcity of opportunities, in contrast to the directions taken during abundance of opportunities.

This classification of economic "epochs" by the ideal working out of a dominant motive finds its dramatic counterpart in Sombart's evident idealization of the handicraft workman of the Middle Ages. The handicraft *Geist* is not a spirit of striving for unlimited accumulation in terms of the institution of money; it is merely an effort to obtain a modest amount of the use-values of goods for the satisfaction of the more essential wants (***Bedarfs—Nahrungsprinzip***, 1:183 ff.). This motive dominates also the tribe, the village, the manor, and, we may add, modern trade unionism, though Sombart emphasizes a different purpose for trade unions, as we shall see. But, taking the handicraft worker of the Middle Ages as the ideal-type, where shall we find the

factual material out of which to construct the theoretical spirit of handicraftism?

Sombart finds this material in exactly the opposite of the capitalistic ideal-type and indeed in those very symptoms which indicate for him the decadence of capitalism, namely, the rules and regulations of the craft gilds. By analyzing and grouping the gild ordinances he finds that they emanate from one spiritual principle—not the strife for unlimited money-values regardless of others, but the ethical purpose that no individual shall get rich at the cost of a fellow-member of the gild (1:195). Gild members are restricted to what each can do with his own hands and arms; raw material must be shared; the extent of one's business or quantity of output is restricted by apprenticeship rules, etc.; there must be the highest possible similarity in time and manner of offering their products for sale, in order that publicity may give equal opportunity and prevent evasion of the rules; there must be no speculation or overproduction, but, instead, there must be security, stability and equality in the supply, demand, quality and quantity of goods. In other words, the capitalist spirit, sheer endless profit-seeking, must be prevented in the interest of the manual worker's spirit of share and share alike (1:183 ff.).

We consider this analysis and synthesis by Sombart as the noblest contribution made in our generation towards the coördination of ethics, law and economics upon a single principle common to each. He extends it, as we have noted, to village communities and to the decadence of capitalism. As a matter of fact it goes back, though doubtless unknowingly, to the brilliant essay of David Hume on the principle of scarcity as not only the basis of economic theory but also the basis of ethics, law and justice. What we contend is that Sombart has here developed a truly objective principle—scarcity versus abundance—which needs not the isolation from reality of either the capitalist spirit of endless profit regardless of others nor the handicraft spirit of justice regardless of endless profit.

For, that handicraft spirit, after all, as well as the tribal spirit, the village community spirit, the trade union spirit, the supposedly decadent capitalist spirit, arising, as they do, out of conditions of scarcity, is not such a wholly unmitigated sense of justice or beauty or harmony that it can be trusted when set up as the sole basis of an ideal-type supposed to work its way out regardless of whether investigation shows that it is in reality and "empirically" just, or righteous, or self-seeking, or beneficial, or injurious to the public. It is not an abstractable spirit of ethics to be contrasted with the spirit of profit; it is rather the way in which the struggle for profit adapts itself to conditions of scarcity contrasted with conditions of abundance. We do not contend

that a psychological "complex" should not be resorted to, for we find that such a term as scarcity-consciousness has a useful meaning when employed to interpret the rules and regulations of gilds, village communities, trade unions and the new but not decadent capitalism. Or, abundance-consciousness may well characterize the bouncing individualism of America during the period of free land and expanding enterprise.

The ideal-typus is set up by Sombart, following Weber, not as an ultimate goal (*Endpunkt*) which ought or ought not to be sought, but as an instrumental concept for aid in investigation (heuristic). Yet when it is set up as a subjective principle working itself into behavior, it carries exactly that subjective bias of the investigator which leads him into failure to give due weight to contradictory or complementary ideal-types. Thus Sombart sees no spiritual difference between the capitalist spirit when it reduces cost and enlarges profit by increasing technological efficiency and when it enlarges profit by reducing wages and raising prices. Each is just that same endless profit-motive regardless of consequences to others. And he sees no difference between that good faith on which the credit system is largely founded, or that good-will which is based upon complete liberty of others,—both of them being only "rationalized" means of making a profit—and that unscrupulous or oppressive struggle for profits which characterized, not every capitalist, but many capitalists during the buccaneer period of American capitalism following the Civil War, and which characterizes, not every, but too many capitalists during the present period of stabilization.

On the basis of Sombart's ideal-typus he is of course correct, because he is merely tautological. There is no difference if we base the difference on supposed difference in motives. But the same applies to wage-earners and gild members as well as capitalists. The difference between the mere motives of capitalists and the motives of wage-earners and gild-members is not the kind of difference that can be used to separate capitalists as a class from manual workers as a class. Each may be assumed to go after all it can get under the existing conditions of scarcity or abundance and of existing customs, laws or other rules and regulations. And it is true enough that manual workers, gildsmen, village communists and unionists, because they are conscious of scarcity, tend to think of their efforts as directed solely towards getting a livelihood. Hence their rules preventing unlimited grasp of things that are scarce.

Here is perhaps an explanation of what has puzzled us throughout Sombart's magnificent work, his European animus against capitalism as a whole in revolt against the European kowtowing to *Hochkapitalismus*, compared with the American opportunism and pragmatism respecting

both capitalism and unionism. Since that unashamed bandit period of American capitalism during the last third of the nineteenth century, the American people have attempted to regulate capitalism on what may be grandly summarized as the distinction between efficiency and scarcity, under the names, "reasonable value" and "reasonable practices." Profits obtained by efficiency, high wages and "reasonable prices," no matter how enormous, like those generally believed to be obtained by Henry Ford, are a kind of worshipful "ideal-type," but profits obtained by discrimination, extortion, unfair practices, grabbing natural resources, are an "ideal-type" increasingly unpopular. It is not endless profit seeking (*Gewinnstreben*) that is bad; it is unreasonable *methods* of profit-seeking that are bad.

We cannot find this distinction in Sombart's theoretical part of his work, although we can see, of course, that his empirical material most abundantly provides for it. The reason is, we take it, that his focus of attention and principle of classification are his two antagonistic spirits—the spirit of profit and the spirit of justice—whereas the American opportunistic or pragmatic attention is directed towards the consequences of the actual practices and towards the actual prices and quantities themselves, without much faith in spirits. It is the difference between American individualism and pragmatism, regulated by custom, or law, or public opinion, after abuses have become abominable, and European class consciousness and Hegelian idealism that sets up two irreconcilable spirits of profit and justice.

This difference may be seen in Sombart's attitude toward trade unions compared with the American attitude. With him, labor unions (*Gewerksvereine*) are a mass movement of labor against capitalism, whereas American unions, since the Knights of Labor, are specialized struggles of those who are able to organize and to lift themselves above the mass by imposing shop rules upon each other and upon their immediate employers. Had he had occasion to examine these rules, as he did the gild ordinances, he would have found that they were motivated by the same scarcity principle of furnishing security, liberty and equality for members of the union in view of the belief that there was not enough work to go around. And they exhibit the same abuses of exclusiveness that the gilds exhibited, which, however, Sombart overlooks in the case of the gilds, having concentrated his attention on the ideal-typus of the handicraft spirit of justice, without noticing the jurisdictional strikes, the violence and civil wars between the gilds and the rigid exclusion of outsiders from the privileges of the gilds. Both kinds of behavior—justice and greed—arise from the same principle of scarcity, as Hume had shown.

We suggest that the basic difficulty with Sombart's theoretical

formulation of the ideal-typus is much the same as that which caused the reaction of the hedonic economists against the classical economists. It was that of starting economic theory on the concept of a commodity. The classical economists saw the physical objective qualities of the commodity and the labor required to produce those qualities; but the hedonic economists turned to the subjective feelings of desire respecting the same commodity. Karl Marx took the Ricardian commodity but shifted its production from individualism to social-labor-power. Now Sombart, reacting against this materialistic interpretation of history, turns to the subjective feelings of capitalists respecting both the mass of commodities and the mass of social-labor-power. Where Marx contended that it was not "consciousness" that created material conditions but the conditions that created consciousness, Sombart reacts by contending that the capitalist "spirit" created capitalism. The antithesis involved in both the Ricardo-Menger and the Marx-Sombart basic concepts is between a physical material existence and a subjective feeling towards that existence. Sombart's "capitalist-spirit" is Marx's capitalistic "consciousness," and we find ourselves in the metaphysical futility of cause and effect, soul and body, etc.

The trouble arises when it comes to using this static antithesis of soul and body as an instrument for explaining the evolutionary sequence of production, marketing, credit, governmental regulation and so on. Weber's ideal-typus is seized upon as a way out, and it is most ingeniously and persuasively employed through the concepts of primitive, peak and decadent capitalism. But it is, after all, only the soul, of which commodities are the body.

Again we suggest that the more realistic preparation for a "genetic-systematic" theory is to begin, not with commodities, nor with spirits or feelings, and to construct, not an ideal-typus, but a mere formula of those economic relations, such as landlord and tenant, master and servant, employer and employee, seller and buyer, creditor and debtor, manager and managed, etc., which relations we know have been evolving along the principles of uniformity (custom) and variability (new customs) and which become concrete, not in commodities or feelings, but in the repetition and variability of the several types of transactions arising out of the changing economic relations. The economic relation is itself merely a status of the corresponding expectations of transactions. Instead of the fixed concepts of commodities, feelings, or spirits, we should have the moving, changing, elastic concepts of economic relations and their expected transactions. And there is then no problem of "interweaving" a static ideal-typus with changing phenomena, nor of unconsciously "mixing" theory and empirical data; for a theory of relations and transactions is both the changing data

themselves, consisting mainly of prices, quantities, customs, practices, expectations, social consequences, and their rational correlation in a "genetic-systematic" process throughout the centuries.

Back of these relations and expected transactions are of course motives and psychology, but they are not hypostatized spirits either of profit or justice; they are the conflicting, harmonious, reconcilable or irreconcilable motives involved in the very negotiations and expectations that culminate in the transactions themselves and in the consequences of the transactions.

It cannot be said at all that Sombart does not apprehend these social relations and transactions. They are the center of his attention. It is only maintained that his borrowed theoretical tools, surplus value and subjective ideal-typus, are not well fitted for getting at that comprehensive view of the whole moving process which is his goal. On the other hand, it is also maintained that his analysis and synthesis provide a vivid illumination and insight never before attained. These two sides of our critique may be briefly indicated in three of his concepts, namely, his meanings of capital, institutions, and rationalization.

His meaning of "capital" turns on his meaning of the "capitalist spirit," and is nearest, he says, to that of Ricardo and Marx. Resources used for the sake of obtaining interest are not capital (3:131). The capitalized value of ground rent is not capital, not because it is Ricardo's unearned income, but because it rises and falls inversely to the current rate of interest (3:137). The largest part of the securities handled upon the stock exchange, the so-called "capital-market," are not capital (3:138). All of these are means of acquisition but not capital. Money, the means of production, the means of subsistence, goods, labor, may or may not be capital. These material things are the phenomenal "form," the clothing, with which capital invests itself. Whether they are capital or not depends, as Mill has said, upon the "mind" of the owner (3:129).

But this mind of the owner is not quite the same as the capitalist-spirit. It is an acquisition-spirit, but may not be a capitalist-spirit. If the owner buys and sells on the stock market or commodity market, or real estate market, even if he does so for the purpose of profit, the things bought and sold are not capital, though they are means of acquisition (*Erwerbsvermögen*). In order to be capital they must be material things or labor, owned or bought for the purpose of obtaining surplus value (*Mehrwert*) over and above the wages paid to labor. For example, he says, in Germany there are about 40 billion labor-hours of work yearly. That yearly magnitude of output is Value (*Wert*). It is divided between the labor-class and the capitalist-class. That which the capitalists get is surplus value (*Mehrwert*). That which labor gets

is wages. Thus "capital" is the annual money-cost of production, resolvable ultimately into money paid as wages; surplus value is the difference beween this total wage-cost of production for the nation and the total money-income from sale of the product. Hence is explained the above anomaly that the stock exchange is not a "capital market" and that the market values of stocks, bonds, lands—in short the market values of all property rights—are not capital. They are, he says, "fictitious" capital, "passive" capital, means of transfer but not acquisition of surplus value, since they are not means of organizing, managing, and buying labor for the purpose of creating that surplus value. The capitalist spirit creates surplus value. Property rights distribute it among—not capitalists, but landlords, stockholders, bondholders; that is, just property-owners who are not capitalists.

We are convinced that this Ricardo-Marxian concept of capital does not fit the empirical evolutionary process which Sombart unfolds, especially when it comes to his exposition of the credit system and the modern corporation which he takes as the type of both the capitalist spirit and of capital. The meaning of "capital" which fits the "capitalist spirit" is rather the present expectation of both interest and profit in terms of money, to be obtained on the various markets, including the stock market, and this, objectively, is none other than the institution of property rights.

Sombart's antagonism towards the idea of "institutional" economics arises from the meaning of institutions as he sees its use at the hands of Cunningham for England, Levasseur for France, and Inama-Sternegg for Germany (1:26). It means the mere mechanical, legal form or structure within which economic forces operate, whereas Sombart's aim is to set forth the spiritual content. Yet, is there this opposition between "form" and "content"? There is, indeed, if the content is a spirit. But Sombart is so evidently an "institutional" economist, in contrast to the commodity and hedonic economists, that the definition of institutions needs revising in order to fit his case. An institution is not a "form" distinct from "content," it is none other than the uniformity of particular transactions, the uniformity being imposed by custom, law, or by the concerted action of organizations or "understandings" of capital or labor. The form is merely the uniformity of the content. The opposition arises only if "content" is spirit, not if content is transactions. Institutions are not a framework; they are the expected uniformity of transactions.

Yet there is nothing more notable in economic literature than Sombart's own exposition of the compulsory forces that keep his "capital spirit," or rather capitalist transactions, along lines of uniform action instead of flitting off arbitrarily. This he does under the European

name of "rationalization," though it is, in fact, the compulsion of custom upon the transactions of individuals, requiring them to conform to the way in which others are acting (3: 587 *passim*).

In short, he would not have needed to resort to his "capital spirit," nor to disavow his institutional method, nor to define capital as the labor-cost of production, if he had defined the institution of property-rights as the expected uniformity of capitalistic transactions and judicial procedure, whereby the present rights to future income, by the further institutional device of negotiability, have a present money value on the stock, bond, and commodity markets. Capital is the present money-value of expectations of net money income; and these expectations—which are none other than property-rights—are both the objective measurable meaning, not of capitalist spirit, but of capitalist transactions, and are the meaning of capital itself which fits, not an "interweaving" of a capitalist spirit with empirical data, but a changing capitalistic and legal process.

University of Wisconsin JOHN R. COMMONS
SELIG PERLMAN

Industrial Efficiency and Social Economy. By NASSAU W. SENIOR. Original manuscript edited by S. LEON LEVY. (New York: Holt. 1928. Pp. xxiii, 375; vi, 422. $8.00.)

Here is material of first importance to every true scholar working in the field of economic theory. Job-holding "doctors" will doubtless go on teaching what Ingram, Gide, or Haney wrote about Senior, but all those whose interests have in the past led them to seek an understanding of Senior through his few published lectures, his *Political Economy* of 1836, and his volumes of travel commentary on neighboring nations of Europe, will study this collection of writings and will find it invaluable.

The works of Senior were not found by accident. Mr. Levy sat in the classes of Professor E. R. A. Seligman and from him received the inspiration to study Senior intensively. That study convinced him that Senior must have written much more than had been published, and hope led him to act on the assumption that such manuscripts as had been written would not yet be entirely destroyed. He went to England, made a house-to-house canvass of the region in which the Senior family lived, and there found clues which led to two trunkfuls of manuscripts and letters *plus* seven volumes of unpublished lectures in finished manuscript form, in the home of the editor of the *London Spectator*! Senior, it seems, has not been without honor save in his own country.

The title which Mr. Levy gives these volumes is not anachronistic. Although the cult of efficiency did not acquire its vogue until a full

half century after Senior's death, and the writings of his day rarely use the word and more rarely reveal the scientific concept, we find Senior between 1840 and 1860 working on the problem of efficiency in production and writing of it with a clarity of definition and consistency of use that would do credit to a present-day mechanical engineer. The title is appropriate in that it correctly heralds Senior's final treatment of economics as an art. Around 1830 his lectures and writings revealed a philosopher striving to develop a logical system by deduction from rather a few basic assumptions. In 1847, in an Oxford lecture he argued for political economy as a science, specifically rejected it as an art, and said, "The time I trust will come, perhaps within the lives of some of us, when the outline of this science will be clearly made out and generally recognized, when its nomenclature will be fixed, and its principles form a part of elementary instruction. A teacher of the art of political economy will then be able to refer to the principles of the science as familiar and admitted truths. I scarcely need repeat how far this is from being the case at present." These newly discovered manuscripts, however, reveal the matured Senior with economic theories quite different from those professed in his youth, and wrestling with the practical applications of those theories in the arts of government, of industrial technique, and of social organization.

In publishing this material Mr. Levy has aimed, not at presentation of the whole, but at the preparation of a rounded treatise as he believes Senior would have prepared it at the end of his life, eliminating duplications and discarding irrelevant material. This procedure presents the student with three difficulties: (a) Until he can know exactly what has been omitted he cannot know to what extent this treatise is Senior's and to what extent Levy's. That it is all written by Senior means little until the reader can be assured that Senior would have agreed with the editor's selections and arrangements of materials. (b) He must guard against Mr. Levy's assumption that an early article or lecture which is not specifically repudiated or changed in later years is a reliable expression of Senior's thought at the end of his life. When an author assembles a number of his old articles and lectures and publishes them in book form, it is presumed that he has included only those that portray his present thought; but is that presumption equally safe when the assembly and publication are done by an editor two generations after the author's death? (c) He can keep track of the dates at which different sections were written only by use of a double system of indices, and the quest is made confused by the presence of two other sets of indices.

Despite these difficulties every section of the work carries rich reward for anyone truly interested in the development of economics in the

nineteenth century. Mr. Levy has earned our gratitude. He has revealed to us a Senior with economic theory developed far beyond his earlier writings, and it is to be hoped that he will soon publish the complete collection of manuscripts verbatim as found, arranged in their chronological order, for those who desire to see the manner of Senior's growth during the forty-two years of his activity as an economist.

JOHN H. SHERMAN

The Principles of Wages. By WILLEM L. VALK. (London: P. S. King. 1928. Pp. xii, 139. 8s. 6d.)

Dr. Valk has limited this study to the principles on which the determination of wages would depend in a static society having capitalistic organization and perfect competition. Essentially it is a critical study of those theories of distribution, put forth during the last thirty years, which seem to Dr. Valk most significant.

The theories set forth by Jevons, Walker, Seager, Bullock, and Taussig are classed together as making labor a residual claimant and are ruled out on the ground that a proper theory of distribution must recognize the determination of all distributive shares as simultaneous.

The theory developed by Menger and Böhm-Bawerk is treated at some length. It is decided that the Austrians stopped short on a line of thought which J. B. Clark carried to a logical end in the theory of marginal productivity. Accordingly nearly half the book is devoted to an outline and criticism of Clark's theory of distribution and the objections which other economists have raised against it. In the end it is concluded that Clark has an essentially correct theory of *value* but that "the complementary character of producers' goods causes their value to furnish no adequate basis for a theory of prices." Value as used by Dr. Valk seems to be synonymous with the *Subjective Wert* of Böhm-Bawerk.

A theory which to Dr. Valk seems "in the main a sufficient basis for an analysis of price formation" is found in Cassel's simplification of the system of equations developed by Walras in his *Théorie Mathématique de la Richesse Sociale.* Since this system contains as many equations as unknowns, it is assumed to be proved that "the system of prices can be determined, under certain conditions, independently of the process of valuation." The conditions are that society be assumed economically static (Cassel, however, extends the treatment to a simple case of dynamics) and that the processes of production be taken as completely given.

But Dr. Valk thinks that something remains to be said. It must be, he feels, that valuation has some influence on the pricing of agents of production. This he finds in the process of selection by entrepreneurs

among alternately available agents. "In those cases of substitution where small quantities of the different means of production can mutually and continuously supplant one another . . . . value is the compass, indispensable in the course of industry, that affords guidance with reference to the direction of substitution."

This work received honorable mention in the Hart, Schaffner and Marx competition for the best treatise on wage theory. Needless to say it will repay reading. Nevertheless, to the reviewer, Dr. Valk's conclusions seem in large part wrong.

It is not true, as assumed, that when the number of unknowns equals the number of equations in a system, the existence of one and only one solution is assured. There may be only one solution but also there may be none or the number may be infinite. True, other methods of attack can establish, in the case with which we are dealing, a high degree of probability that if our knowledge were sufficient (which it is not) to state the equations in definite terms, their solution would yield, for most of the prices involved, either definite values or a small range of values. As the equations stand, however, in their necessarily indefinite form, it is impossible to show, *from the equations themselves*, that the number of solutions may not be infinite. Resting on a false premise, therefore, would seem to be the conclusion that this system of some thousands of simultaneous equations offers "in the main a sufficient basis for an analysis of price formation."

But suppose (and in this the reviewer concurs) that in spite of the fallacy of the alleged proof, Dr. Valk is not far wrong in holding that under the given conditions only one set of prices is consistent with equilibrium. Is the marginal productivity theory of Clark then necessary or even useful? The reviewer cannot so see it. Dr. Valk himself finds marginal productivity applicable only to a very special case of substitution. This case—agents of production capable of continuous mutual substitution—must be so rare as to be practically negligible. And should such a case occur, it would seem to be perfectly explained by the principle which must in any event be used to explain other cases of substitution. Entrepreneurs choose among alternately possible combinations of productive agents those which promise the lowest cost of production. What more need be said? To appeal to marginal productivity here is to attach a fifth wheel to the cart.

But the use of the marginal productivity concept is something more than futile. It involves the acceptance of an essentially false picture of the industrial world. Dr. Valk quotes Clark: "Of the interchangeable men in a mill, the first class does something indispensable, the second class something highly important . . . . the last class does something that contributes least of all to the productiveness of the busi-

ness." Dr. Valk adds: "We may take this for granted, for, as Clark says, 'it is one of the undisputed truths of economic science.'" In point of fact this is not undisputed, nor is it truth. It is about as far as possible from truth. In a factory properly organized, every class of worker and every individual of each class does work essential to the emergence of the product. Clark followed the lead of Ricardo, who made the mistake of conceiving the entrepreneur to be possessed of one factor of production and thus faced with the problem of combining other factors with it in the best proportion. This case is rare except possibly in agriculture. In the typical case the entrepreneur starts with a project for production. His problem is to determine, so far as may be done in advance, the best technique of production, and to estimate the probable cost. In the light of this information he decides to carry through or not to carry through the project. In making such studies it is rare indeed to encounter a case where an agent, especially a human agent, can be used in varying quantities with gradually varying productivity. Commonly a definite quantity of each agent is needed. To use more would be pure waste. To use less would be to cut production without effecting a proportionate drop in costs. For this typical case marginal productivity simply does not fit into the picture. The world of Clark's theory is therefore hopelessly at variance with the world of reality.

The reviewer wonders, too, if the same comment cannot be made with regard to the assumption of a static economy. Is not a static entrepreneur economy a contradiction of terms? Would not a static economy be one in which there was lacking the very essence of the entrepreneur's function? In that case it would seem that the assumed static society and the real dynamic society would differ in kind, and that conclusions correctly drawn from the one might be quite invalid in the other.

College of Engineering S. S. Garrett
Cornell University

Histoire de la Pensée Economique aux Etats-Unis, au Dix-neuvième Siècle. By Ernest Teilhac. (Paris: Recueil Sirey. 1928. Pp. 194.)

This little volume is rather less than the title promises, consisting in fact of three monographs, of some fifty to sixty pages each, devoted to the analysis of the economic thought of Daniel Raymond, H. C. Carey, and Henry George. The plan of each is, after a brief biographical note, to summarize the systematic thought of the subject, to note the circumstances of the American social environment which

lend plausibility or relevancy to that thought, and to explore at some length its European intellectual associations.

For his problem, which is to examine why in three successive generations America should have produced a native brand of economic theory, M. Teilhac has undoubtedly chosen the correct subjects. The America which he envisages is one in which the dominant economic circumstance is an agrarian civilization faced with the necessity of harboring a growing industry. The nation's chief political concern is the attainment of a unified policy acceptable to diverse economic elements. Its chief social problem is that of an equitable adjustment of the conditions and rewards of economic endeavor. The conditions are thus laid for deviations in economic theory from the dominant rationalism of England, yet they are not such as to lead exactly to the continental deviations of a socialistic or nationalistic sort.

One is not always quite sure that the author is entirely at home in his discussion of the American environment. His touch is surer and his analysis more penetrating when he is tracing the European intellectual associations of his subjects. In this field he finds in Raymond a direct reaction against Adam Smith and J. B. Say, while Carey is represented as making a philosophical return to them in opposition to the pessimism of Ricardo and Malthus. The parallelism between the work of Raymond and List, and between that of Carey and Bastiat, is explained in each case as a matter of similarity in the sources of inspiration rather than of direct influence. Judging from the length at which he treats the subject, the author seems much concerned to prove that Bastiat did not plagiarize Carey. American economists are likely to find the essay on Henry George the most original and stimulating. Eschewing the customary condescension of economists in their treatment of this unconventional figure, the author treats him as a serious thinker, not as a misguided prophet. The results are interesting and ingenious, if not entirely convincing.

If one were to criticize the manner of M. Teilhac's performance, the most natural point would be his constant resort to abstract contrasts and anthitheses to clinch his points. His "English tradition" and "French tradition," "social rationalism" and "individual rationalism," "form" and "fond," and so on, if useful as expository tools, when too freely used encase the thought in formulas a little too strait. No such minor criticisms should obscure the fact that these are enlightening essays. American economists are too little acquainted with their predecessors. They are in fact a little ashamed of them, a sentiment which this volume does not cultivate. The subjects of these essays are treated as distinguished thinkers to whose thought a certain turn is given by the circumstances which enclose them. It is this which

gives to the present small volume its principal importance. The writing of intellectual history as a genealogy of ideas, or as a sifting of nuggets of precious truth, is bankrupt. Economic thought achieves its force, its importance, even its "truth," only in the midst of the material circumstances and habits of thought out of which it has sprung. Or such, at any rate, is the prevailing dogma. Writing in the light of this idea, M. Teilhac has accomplished a useful contribution to our knowledge of American economic thought, which, it is to be hoped, will soon be given wider currency through translation.

Cornell University PAUL T. HOMAN

Traité Général de Science Economique. Tome III, Vols. I and II. *Théorie du Capital et du Profit.* By CHRISTIAN CORNÉLISSEN. (Paris: Giard. 1926. Pp. 466, 662. 120 fr. the 2 volumes.)

M. Cornélissen, a Belgian, writes out of a background of thirty years of special study of economics and thirty-five of practical experience in the international labor movement. He broke into library catalogues with a work entitled *En Marche vers le Société Nouvelle* in 1900. His *Théorie de la Valeur* was published in 1903 and the revised edition of 1913 is now listed as Tome I of a general treatise of which the work under review is Tome III. Tome II, *Theorie du Salaire et du Travail Salarié* (German translation 1926) appeared in 1908. Mention is made of future tomes on rent and interest.

The title of the present work is not the most descriptive which might have been chosen. It treats in a broad way of business organization and control in the modern capitalistic world, of enterprise and its income, its problems and social relationships. Specifically, there are eight "parts": Introductory analysis of the notions of capital and profit; Technical organization of production; Sources and nature of profit (3 and 4); External influences affecting profit (state intervention, war, labor conflict, weather, fashion); Fluctuations and crises (6 and 7); and Social evolution. Characteristic of the work are its cosmopolitan breadth of information, mature, thought-provoking discussion of a rather "practical" or "common-sense" sort, and its readable and interesting exposition. The point of view is liberal. References to Marx and Marxism are very numerous, but serve to point out errors, though in an unpolemical tone. The capitalist entrepreneur, however, is to be tolerated only so long as the absence of organizations able to assume the responsibility for producing and distributing wealth in the name of the community make him indispensable (I, 454). But substitutes, whether workingmen's associations, consumers' coöperatives or state agencies, must be more efficient than capitalism if they are to have a future. Until the working classes produce competent technical

leadership they must remain under the domination, either of a special caste of individual capitalists or of state functionaries, and the difference between the two régimes of domination is not important (II, 617).

From the standpoint of "theory" in a narrow and strict sense, the book has no contribution to make. In fact, the preface expressly repudiates both deductive generalization and hasty conclusions from incomplete or carelessly interpreted statistics; it commends "prudence," and this word may well describe the work as a whole. However, the theorist will claim a right to feel disappointed with the definitions of concepts, the absence of any clean-cut analysis of risk or the causes of that imperfect competition which gives rise to pure profit (and loss), and with the treatment of the causes of the business cycle. The latter reduces (II, 380) to the naïve position that in view of the accumulation of capital and "pressure" of production to expand and "resistance" of consumption to expansion (?) cyclical movements are "inevitable;" the cause is *both* over-production and under-consumption! However, the book is not to be judged by this aspect. It is as a whole very informative and interesting, and its analysis characterized by judgment and wisdom even where it lacks theoretical profundity.

University of Chicago FRANK H. KNIGHT

NEW BOOKS

AMANTIA, A. *Principi di economia politica.* Vol. II. *Produzione, distribuzione, circolazione, crisi economiche.* (Catania: Studio Ed. Moderno. Pp. viii, 398. L.12.)

BINDER, R. M. *Principles of sociology.* (New York: Prentice-Hall. 1928. Pp. xvi, 609. $5.)

CURTIS, R. E. *Economics: principles and interpretation.* (Chicago and New York: Shaw. 1928. Pp. xviii, 877. $4.50.)

This substantial volume is offered for the use of beginners, "but not for the youngest beginners nor for the very immature." It follows conventional lines generally, and the author makes no pretense to originality in most of the economic doctrines set forth; yet there are many interesting and original passages in the book.

In his discussion of value, Professor Curtis follows the supply and demand theory; and this he carries into his discussion of interest and wages, and even rent. Interest is paid for the use of loanable funds, rather than instruments of production, the author following the J. B. Clark tradition of distinguishing between capital and capital goods. The same tradition leads the author to make less of the concept of economic rent than most economists do.

There is less of clear definition of terms than many teachers will wish for, and the style seems somewhat heavy and labored. Yet it may well be that it will prove a teachable text, for much of the material is excellent, and the style will not give students any false notions as to the simplicity of economic questions. On page 233 is a graph which seems incorrectly drawn or printed, to represent decreasing costs. JOHN ISE

FREEMAN, R. E. *Economics for Canadians.* (Toronto: Isaac Pitman & Sons. 1928. Pp. xiii, 306.)

An attempt to adapt the Chicago approach to high schools in Canada.

GARVER, F. B., and HANSEN, A. H. *Principles of economics.* (Boston: Ginn. 1928. Pp. x, 726. $3.)

GELESNOFF, W. *Grundzüge der Volkswirtschaftslehre.* (Leipzig: Teubner. 1928. Pp. xii, 561. M.18.)

A translation from the Russian of the second edition by Dr. E. Altschul. This is one of the best books in one volume which has appeared on economics. There may be some difference of opinion as to whether it is possible to explain all the complicated questions of the subject so briefly and yet in such wise that they can be understood by one without preliminary training; but certainly no one has done better in this than the present author. In this second edition he has been able to give an account of the later developments of the questions relating to currency, to crises and to the socialization of public utilities. Especially interesting are the author's criticism of the classical school and of the Austrian economists, of the problems connected with private property and the unearned increment of land-rents. The section on banking is well done, the author being a supporter of the quantitative theory of money. The final chapter gives a lucid explanation of what has been written on crises in late years. R. R. W.

GINI, C. *Il neo-organicismo. Prolusione al corso di sociologia.* (Catania: Studio Editoriale Moderno. 1927. Pp. 46. L.4.)

GOTTL-OTTLILIENFELD, F. *Volksvermögen und Volkseinkommen. Kritik.* (Jena: Fischer. 1928. Pp. iv, 106. Rmk. 6.50.)

KEEZER, D. M., CUTLER, A. T., and GARFIELD, F. R. *Problem economics.* (New York: Harper. 1928. Pp. viii, 719. $4.)

This is a book mainly of readings, chosen from widely scattered sources, with some original material written by the authors at the beginning of each chapter, outlining the problems involved. Thus the book follows the plan of Callender's *Economic History of the United States.* The readings are of unusual interest, and should prove valuable in courses in elements of economics. There is a stimulating list of questions at the end of each chapter, and a fair bibliography. JOHN ISE

LEVY, H. *Nationalökonomie und Wirklichkeit. Versuch einer sozialpsychologischen Begründung der Wirtschaftslehre.* (Jena: Fischer. 1928. Pp. iv, 94. Rmk.4.50.)

LORIA, A. *Corso di economia politica.* (Turin: Unione Tip. Editrice Torinese. 1927. Pp. xl, 844. L.70.)

This volume is the third edition of a course of lectures given by Professor Loria at the University of Turin. This new edition is a thorough revision and presents many illustrations relating to the war and postwar periods. Particularly interesting are the comments on recent monetary and credit problems and also on colonization. The last chapter discusses the function of the state as a factor in economic phenomena.

RICCARDO BACHI

LUMLEY, F. E. *Principles of sociology.* (New York: McGraw-Hill. 1928. Pp. 562. $4.)

MICHAELIS, A. *Die Quantitätstheorie als Grundlage der Konjunkturforschung.* (Jena: Fischer. 1929. Etwa Rmk. 8.)

PEDDIE, J. T. *The invariable standard and measure of value.* (London: P. S. King. 1928. Pp. xix, 241. 7s. 6d.)

RICHARDS, R. D. *Groundwork of economics.* (London: University Tutorial Press. 1928. Pp. xv, 294. 4s. 6d.)

ROWE, J. W. F. *Wages in practice and theory.* (London: Routledge. 1928. Pp. x, 277. 12s. 6d.)

RUFENER, L. A. *Price, profit and production, principles of economics.* (Boston: Houghton Mifflin. 1928. Pp. xix, 842. $5.)

SMITH, A. *Ricerche sopra la natura e le cause della ricchezza delle nazioni.* With preface by ACHILLE LORIA. (Turin: Union Tip. Ed. Torinese. 1927. Pp. xxiii, 803. L.60.)

STRELLER, R. *Die Dynamik der theoretischen Nationalökonomie.* (Tübingen: Mohr. 1928. Pp. x, 225. M.13.20.)

SPECTATOR, M. *Introductory study of world economics. An essay on existing theories of world economics.* (Moscow and Leningrad: U.S.S.R. Govt. Pub. Office. 1928. Pp. 315.)

Printed in Russian. Contains chapters on the economic aspects of world trade, the Marxian theory, industrial capitalism, world markets, exploitation of colonies, trade politics and the power of labor.

WAITE, W. C. *Economics of consumption.* (New York: McGraw-Hill. 1928. Pp. xii, 263. $3.)

This book will no doubt be examined with interest by many persons, including those who hold Pierson's opinion that "There is no such thing as a theory of consumption in the sense of a branch of the science of economics." Dr. Waite takes no notice of this position, so ancient and honorable in the history of economics; instead he offers the book itself as the most effective argument.

The author states clearly enough the limitations of an economic study of consumption. In his introductory chapter he points out that the economist deals only with a certain portion of the field of consumption; *viz.*, those aspects which are related to price. With this criterion he divides his discussion into four parts: (1) The system of prices and the consumer; (2) The choice of goods; (3) Administration of the individual income; and (4) Social problems of consumption. As is to be expected, the weakest part of the discussion is that dealing with the administration of the individual income. As the author says, "The economist does not have a great deal to say on this problem as a great portion of the problem is technical in nature." It is significant that the longest chapter of the four in this division, and the one where the author seems to walk most securely is the one on insurance and investment. One is reminded again of Pierson's comment on Gide's "predicament" when it came to filling up the space which he had set apart for the treatment of consumption: "Of the three chapters into which he divides his short section, the second," he observes, "treates of saving—the reverse of consumption—and the third of investment."

In the three-quarters of his book dealing with problems other than the private administration of income Dr. Waite gives no indication of a "predicament" or of uncertainty. In Part 1 he discusses the operation of the price system, the distribution of purchasing power among con-

sumers, changes in the general price level and their effect upon real income and the protection of the consumer from unfair prices and inferior quality. Each problem discussed is treated competently and with the conciseness and lucidity that distinguish the entire book. Concerning this section and Part 4, however, we might again take note of the stricture that would be made by those in sympathy with Pierson who says, "It is impossible to find subject matter (in a general economic treatise) for a section on consumption without impoverishing the remaining sections." Can not each of the topics treated above be discussed under some other heading than the economics of consumption? That is undoubtedly true, as it would be true of the economics of production, or of distribution, or of marketing. The question is, however: Does the discussion of these problems in this context give them new meaning and give the students standards of judgment and understanding they would not otherwise have? The reviewer is convinced that such is the case.

In the section on the choice of goods we come to the essential problem of consumption, the problem of consumers' behavior. Dr. Waite introduces chapters on studies of family expenditures, variations in consumption and problems of purchasing. While the discussions probably meet textbook requirements the reader already fairly well informed should be warned that he will not find any additions to his stock of facts. By the inclusion of a chapter on elasticity of demand and its determination for particular commodities, Dr. Waite makes, it is believed, a real contribution, indicating that all studies of demand and of consumers' behavior are one.

This book was written as a text for the use of college classes. As such, its organization, its viewpoint, and the general soundness of its exposition, make it a genuine contribution. One lack may be felt, however, by the instructors of the more advanced students. Each chapter is quite brief, less than fourteen pages on the average, and no bibliography for further reading is supplied.

The main value of the book is that it demonstrates what some of us mean by the economics of consumption and as such is a welcome addition to economic literature.

HAZEL KYRK

Economic History and Geography

Modern Capitalism: Its Origin and Evolution. By HENRI SÉE. Translated by H. B. VANDERBLUE and G. F. DORIOT. (New York: Adelphi. 1928. Pp. xvi, 225.)

This compact sketch of modern economic history will immediately take its place in the literature of the subject as the best introductory volume now available. It presents all the elements of recent critical study in their best form and with a balance of judgment frequently not found in the larger works. The monographs and the imposing general work just completed by Werner Sombart inevitably exert an influence upon any study of modern economic history; but Sombart's views are not tenable on many important points, and his judgment of some of the broad problems of analysis is at times superficial or biassed. Professor

Sée's judgment is sound, and his presentation of the movement of history surpasses previous accounts in the firmness with which the events of the whole theater of history are unified and in the decisive grasp of the primary elements in the chronology of the movement.

In building modern economic history around the theme of capitalism a considerable break becomes necessary with views that have dominated English writing. The events rather unhappily described as the "Industrial Revolution" must be regarded as the culmination of a development that reaches back to the fourteenth century. Furthermore, the changes that took place in England were not as exclusively conditioned by the English background as is represented by the ordinary text writers. Despite many merits, the well-known volume by Hobson tended rather to identify the "Industrial Revolution" with the rise of modern capitalism than to emphasize the broader scope required by any formulation of economic history in terms of this development. Sombart's monographs and the revised edition of the general work mark the permanent establishment of the broader view in European literature, but the modest penetration of these ideas in English writing is strikingly shown by the brilliant volume of the Hammonds on *The Rise of Modern Industry*. This translation of Sée's study should thus possess a large significance for the effective presentation to English readers of views that are of first-class importance.

The essential thesis of Professor Sée's book involves distinctions between three phases of capitalistic development which are implicit in earlier writing like Ehrenberg's *Zeitalter der Fugger* (in English, *Capital and Finance in the Age of the Renaissance*), but these concepts were never before made so explicit. Commercial, financial, and industrial capitalism are represented as relatively independent phases of capitalistic organization. They appear at different dates, and the successive emergence of new phases results in the development of interrelations rather than an assimilation so destructive as to obliterate the outlines of the older forms. In so short a sketch, the content of these earlier stages inevitably remains somewhat vague; but the felicity of the characterization is in no way impaired, and the generalizations constitute a great contribution to historical synthesis. Although the book will find its chief use as an introductory sketch for the general reader and for elementary students, it has notable elements of professional interest as a demonstration of historical method. The volume is an exhibition of the historical methods sketched in the author's *Science et Philosophie de l'Histoire* (Paris, 1928). The most characteristic feature of Professor Sée's methodology is his concept and use of the comparative method. He conceives history to be a discipline which achieves its broader valuations by the methods of critical philosophy; but he

recognizes classes of phenomena that present problems of an essentially scientific type. These he feels must be dealt with by methods that are predominantly scientific, and the comparative methods afford appropriate means of treating such data. The present volume is thus the application of a consciously developed concept of historical method, and the result must be recognized as indicative of the value of such careful reflection on the général problems of history. Had earlier writers on method shown equal clarity of judgment and recognized the need of applying methods as well as conceiving them, the study of methodology would never have fallen into such discredit.

The translation is extremely well done, achieving an accuracy and felicity of expression that are seldom found associated. The volume has been provided with a number of well selected plates of persons and of places.

Harvard University Abbott Payson Usher

International Economic Relations: A Treatise on World Economy and World Politics. By John Donaldson. (New York: Longmans Green. 1928. Pp. xxx, 674. $3.20.)

This is the first of two volumes designed to cover the whole field of international economic relations. In Professor Donaldson's view, earlier approaches to the subject have been chiefly in terms of international trade, shipping, and finance. While recognizing the importance of these topics, which he proposes to discuss in detail in a second volume now in preparation, he believes that a more profitable approach to the field lies in a consideration of the physical and politico-legal setting and the industrial structure of world economy. The first section of the book discusses geographic, social, political, legal and territorial factors as they condition economic development and organization throughout the world; while the second deals with types of national economic systems and their international relationships, business organization and enterprise for foreign activities, dependence of various countries upon raw materials secured from abroad, exploitation of natural resources, and public control of resources in national, rather than international, interest.

In most of his chapters the author discusses politico-legal controls of one sort or another as well as strictly "economic" matters. Political and economic factors in international relations, he believes, can not readily be separated. This is not to say that Professor Donaldson favors governmental regulation. His view is a conservative one, that "governmental intervention in business is open to the same objection in economic principle internationally as nationally."

The book is frankly descriptive, designed to sketch the setting and structure of world economy rather than to outline problems and suggest solutions. It represents a diligent compilation and organization of factual material, which will undoubtedly make it useful for reference and text purposes. Professor Donaldson has drawn much of his material from reports issued by the Department of Commerce, the Department of Agriculture, the Federal Trade Commission and the League of Nations, and has documented his work carefully by reference to these and many other sources.

Examination of the book raises a number of questions. Why has the author made so little mention of the League of Nations and its economic functions? Nothing is said about the International Labor Office and very little about the various economic committees and conferences organized under the League's auspices. Is the author correct in his theory that the Great War caused, on the whole, only temporary derangements in international economic relations and that there has been, in general, a "settling back, so far as fundamentals are concerned, to the old economic order" of 1913? Is it valid to set up, in terms of British experience, categories of national economic development applicable to all countries? Is it any more valid to explain international trade in terms of differing and complementary national industrial structures, as Professor Donaldson does partially, than to follow the opposite process?

Unfortunately the author has a tortuous style and uses an extensive vocabulary loosely, so that words frequently obscure his meaning.

Rutgers University HARRY M. CASSIDY

The Prosperity of Australia: An Economic Analysis. By FREDERICK C. BENHAM. (London: P. S. King. 1928. Pp. x, 276. 12s. 6d.)

Australia is well supplied with official statistics, on which Mr. Benham has worked with skill, industry, and ingenuity in an attempt to measure Australian prosperity since 1900. His test of national prosperity is *national income per head*, tempered to some extent by national assets, working conditions, and the extent of inequality in distribution. He finds that the average real national income per head, reduced to 1911 price levels, rose 51 per cent between 1901 and 1913, fell somewhat during the war, and has partly recovered since then. In 1925-6 it was 36 per cent above the income of 1901, according to the index on p. 52, though the author conservatively sets it at "at least 25 per cent" in the text (p. 216), which seems to be giving error the benefit of a big margin. National assets are "appreciably higher"

than at the beginning of the century; working conditions have been improved by the reduction of working hours and better factory laws, while income has become more evenly distributed through progressive direct taxation and the provision of social services by the state.

Having recorded this measure of progress, Mr. Benham discards bouquets for brickbats. "Progress since the war has been unduly slow;" a "considerably greater rate of progress could have been attained;" judged by real *average* income per head, Australia is "rather less prosperous (if anything)" than Great Britain, and when the Australian story is compared with that of Canada and the United States, the results are "far from favourable to Australia, especially during the post-war period." Why? Mr. Benham devotes nearly half his book to answering this question, and while he lays some of the blame on inefficiency in manufactures and land utilization, he finds the chief explanation in the policy of high protection and the practice of wage regulation, with the tariff in the rôle of leading heavy villain. This part of the book will arouse violent controversy in Australia, and the present reviewer nearly filled the margins of his copy with comments and queries. Three only can be mentioned here.

(1) The comparison with the United States and Canada is scarcely fair or well-informed. Australia has no vast supplies of natural resources—pulpwood, waterfalls, minerals, or empty prairie—such as have been the cause of Canada's recent expansion; she cannot offer such big inducements for the establishment of United States branch factories or the investment of industrial capital; she is comparatively unknown to North American capitalists. Her veins are part of a circulatory system that has London rather than New York as its heart, and her unwillingness to accept continental Europeans as immigrants makes her inflow of population smaller. Yet the only figures available for a comparison of Canadian and Australian incomes suggests that the Canadian average per head is no higher than the Australian, but is probably somewhat lower; and no evidence is produced to prove the assertion (p. 103) that the volume of production per head is lower in Australia than in Canada.

Mr. Benham makes broad charges of inefficiency and "bad organization," but gives little evidence except a comparison of the average number of employees in knit goods factories in the United States and Australia, and the decline in average size of Australian factories from 22.01 persons in 1912 to 21.3 in 1923-4. But is the knit goods industry one in which economies are directly proportionate to payroll? Over half the knitting establishments in the United States in 1923 employed less than 51 hands, and 1,000 out of 2,323 had less than 21 employees. Further, the decline in the average personnel of Australian

factories is partly due to the inclusion of such small, but possibly efficient, shops as automobile and shoe repairing. The important thing in Australian industrial life is not outcrop of small units, but the rise of more big ones. Between 1912 and 1925-6 the number of establishments employing over 100 hands rose from 545 to 724; the average personnel in these works grew from 237 to 270, and the percentage of the total industrial force employed in them rose from 39.43 to 43.37. And in 1923 the average working force per establishment was only two hands larger in Canada than in Australia.

(2) In his attack on high protection Mr. Benham has a big easy target for his fire. The arguments usually put forth in support of a higher tariff in Australia will not bear inspection, the handling of tariff revisions by Parliament has been tragi-comic, and when in 1920 manufacturers got so easily the increased duties they had asked for, one of them was heard to exclaim that he and his fellows ought to "kick themselves" for not having demanded still more.

But Mr. Benham, uncompromising free trader of the British school, weakens his case by overdoing it. He states, for instance, that over the period 1901-25 Australia had "a larger average percentage of unemployment than almost any free trade or low tariff country, and that percentage reached its maximum for the period seen after the tariff increases of 1920." But surely he knows that unemployment figures for different countries are not comparable. Further, he starts his "case for free trade" with an example, contrasting the relative merits of devoting £10,000,000 a year to the production of tea and of wheat. This outlay would produce, say, 40,000,000 lbs. of tea, or, say, 100,000,000 bushels of wheat. So runs the example. But since the total annual wheat production of Australia has only been as high as 100,000,000 bushels eleven times in the country's whole history, even a hide-bound manufacturing protectionist would be willing to spend £10,000,000 if he could thereby nearly double the continent's wheat output and get a crop worth £25,000,000; and many prairie farmers would be anxious to know how it was done. Examples should not be absurd.

(3) Mr. Benham finds the bogy of wage regulation almost harmless on closer inspection, for while wage tribunals accepted the "living wage" ideal, the wage actually fixed by them was that which was already being paid at the time to much unskilled male labor. Unconsciously therefore they really accepted the principle of "capacity to pay," and apart from reducing the difference between skilled and unskilled rates, they did little more than "register the results of 'economic forces'." Mr. Benham hints darkly that sometimes, by registering inaccurately, they caused unemployment, and would apparently have us believe that this additional unemployment has more than offset any gain

arising from the peaceful settlement of industrial disputes; but his discussion on this point is so open to misinterpretation that he might have omitted it or established the case more firmly. Wage regulation brought the country through the transition of 1920-22 with a degree of peace not enjoyed by any other land; and if we except those stormy petrels, the miners and seamen, wage-earners generally accept the tribunals as the normal means for settling industrial disputes, even though one industrial judge has admitted that they could have obtained bigger increases of pay during the war by striking than by going to him.

University of Minnesota H. Heaton

NEW BOOKS

Adler, C. *Jacob H. Schiff: his life and letters.* Vols. I and II. (Garden City, N.Y.: Doubleday Doran. 1928. Pp. 408, 396. $10.)

Alberti, A. *and* Cessi, R. *La politica mineraria della Repubblica Veneta, con lettera del Ministro Belluzzo al Capo del Governo.* (Rome: Lib. dello Stato. 1927. Pp. 455. L.50.)

Ashley, W. *The bread of our forefathers: an inquiry in economic history.* (Oxford: Clarendon Press. 1928. Pp. xi, 206. $4.25.)

Although the text of the present work was completed under handicaps of ill health only shortly before his death, the critical scholarship of the author is displayed at its best. Rogers' view that wheat was the predominant breadstuff of medieval England is shown to be an overgeneralization. The use of wheat was confined to the aristocracy and its culture restricted largely to the demesne farms of the gentry and the ecclesiastical houses. Rogers overlooked the element of bias in the evidence drawn by him from the records of demesne farms, and failed to note the inconsistency of his conclusions with the explicit evidence of later periods.

Professor Ashley shows conclusively that rye was the predominant breadstuff of the peasantry until the close of the eighteenth century. The change was gradual, closely correlated to the changes in agricultural technique and the progress of enclosure. In the open field agriculture of the peasants, rye was the predominant winter cereal. The sandy soils were utterly unfitted for wheat and were never wholly given over to wheat culture. Other soils, especially the heavier clays, would yield adequate crops of wheat under a four course rotation or under convertible agriculture. These methods could be pursued only by the wealthy country gentry and the greater yeomen. The study is thus of fundamental importance both as regards its conclusions and its methods. The problems of economic history are illuminated with reference to the practice of agriculture. The critical discussion of documentary evidence rises above the bare literalism too often deemed sufficient and recognizes the need of scrutinizing the relation of extant material to the problem under examination.

The author has been careful not to overstep the limits of the specific subject; but this revision of Rogers' view is of obvious significance to the interpretation of the price levels. We can certainly draw no conclusions about the cost of living to the peasant from price materials that deal

with commodities primarily consumed by the well-to-do. Furthermore, if the enclosure movement resulted in a utilization of the land that was other than its best and most natural use, it is no longer possible to condone the evils of enclosure by appeal to the idea of imminent necessity and progress towards the ideal system of farming. Finally, the decline in wheat acreage after 1870 must be viewed in a somewhat different light than has been usual among the protagonists of agriculture. The acreages of 1860-70 are very likely the maximum wheat acreages, even under the stimulus of a system of farming in which various social factors were operating to produce a somewhat artificial balance among the various crops. The present volume is thus a contribution to the history of agriculture of outstanding and permanent significance.

ABBOTT PAYSON USHER

BARBAGALLO, C. *L'oro e il fuoco: capitale e lavoro attraverso i secoli.* (Milan: Ed. "Corbaccio." 1926. Pp. 277. L.14.)

BARTHOLOMEW, J. and LYDE, L. W. *An atlas of economic geography.* 3rd rev. ed. (New York: Oxford. 1928. Pp. 166. $3.)

BENSA, E. *Francesco di Marco da Prato. Notizie e documenti sulla mercatura italiana del secolo XIV.* (Milan: Fratelli Breves. 1928. Pp. xxiv, 487. L.52.50.)

Datini was a great business man of Prato who lived in the fourteenth century. He had important trade connections not only in Italy, but also in France, Spain and the Near East. The archives of the Datini house have been preserved and collected in Prato and for many years have been a source of material for schools. This collection includes a great number of books of letters, contracts, inventories, deeds, bills of exchange, which illustrate the transactions of the merchant adventurer of medieval Italy. Professor Bensa is the first to give a complete and substantial monograph after twenty years of research. Of special value is the description of the trade in wine, salt, wool, silk, and slaves. The subject of banking is also touched upon. The book is readable, written in a lively style.

RICCARDO BACHI

BOWMAN, I. *The new world: problems in political geography.* 4th ed. (New York and Chicago: World Book Co. 1928. Pp. v, 803.)

A thorough revision of the volume first published in 1921. In order to make room for many additional maps and the discussion of the latest treaty developments, the photographs in the earlier edition have been omitted. The volume is a valuable reference book.

CARTER, J. *Conquest: America's painless imperialism.* (New York: Harcourt Brace. 1928. Pp. x, 348. $2.50.)

"The view of Wilson's European program suggests that pure principle is dangerous to national interest, while the wreck of Knox's 'Dollar Diplomacy' showed that mere self-interest is perilous to national principle." The author reviews the politics of American expansion, American commercial doctrines, our experiments with "infantile imperialism," the struggle between America and Europe, and concludes with a discussion of the future of American expansion.

CHAPIN, F. S. *Cultural change.* (New York: Century. 1928. Pp. xix, 448. $3.50.)

Professor Chapin undertakes in this book an historical and statistical analysis of cultural change, a topic which among sociologists has largely supplanted the interest in the abstract and general concept of social evolution. His work is to be welcomed by all who are interested in the social studies: not only is its material taken from many fields; but its conclusions and hypotheses, if verified, will be fruitful, also, in the hands of other students.

After an anthropological introduction (Part 1) on the perspective of man's past, Professor Chapin has a detailed analysis (Part 2) of certain phases in the social and economic history of Greece, Rome, and medieval England, on the theme that history tends to repeat itself, especially in its economic aspects. But his view of history and historical continuity is more like that of Oswald Spengler than like the outmoded view of Lewis Morgan. As Dr. Chapin says: "The main stream of human culture is found to be something of an abstraction. Morgan and his school seem to have confused this abstract idea of a main or central stream of human culture with the facts of concrete similarities in different areas at different times. In so far as these similarities exist, it would now appear that they are really examples of similar cyclical changes in independent cultural groups and not illustrations of universal cultural stages in one continuous world-wide stream of unified cultural evolution" (p. 202). Historical continuity includes, furthermore, separate streams of group cultures, as illustrated in the cycles of national growth and decay.

Part 3 is a careful treatment of the character of cultural changes and the societal reaction pattern to the movements of culture, the discussion turning about (1) the effects of power machinery on modern life and (2) the cultural lag in the family. "The most hopeful approach to the concept of cultural change," in Dr. Chapin's opinion (p. 202), "would seem to be to regard the process as selectively accumulative in time, and cyclical or oscillatory in character." Culture grows by dropping items as well as by adding them. "The rhythmic or cyclical occurrence of cultural changes is tentatively described by a theory of synchronous culture cycles consisting of a series of specific working hypotheses" (p. 421; see p. 208). Dr. Chapin submits a provisional hypothesis regarding the nature of the reaction of groups to changes in culture (p. 236).

Part 4 discusses the measurement of cultural change. After discussing the possibility of such measurement (see p. 376), Professor Chapin concludes (p. 423) that "the fundamental inventions seemed to pass through a life cycle of growth, equilibrium, and decline described by a frequency curve. The principle seemed to apply to social as well as to mechanical inventions."

The methods and the conclusions of Professor Chapin's book mark it as an important contribution to the analysis of culture.

MAURICE G. SMITH

CIASCA, R. *L'arte dei medici e speziali nella storia e nel commercio fiorentino dal secolo XII al XV.* (Firenze: L. S. Olscki. 1927. Pp. vi, 806. L.100.)

CONDLIFFE, J. B., editor. *Problems of the Pacific.* (Chicago: Univ. of Chicago Press. 1928. Pp. xiii, 630. $3.)

This volume represents the proceedings of the Second Conference of the Institute of Pacific Relations held at Honolulu, July 15-29, 1927.

There are 9 opening statements, 11 summaries of round-table discussions, and 33 documents supplemented by 8 maps and diagrams largely illustrating population problems.

DEXTER, P. and SEDGWICK, J. H. *The war debts: an American view.* (New York: Macmillan. 1928. Pp. 180. $1.50.)

Favors a liberal attitude in settlement of the debts, not so much on purely economic grounds, as intelligent "sentiment." "Sentiment is a factor in this present world of close communication and annihilated distances which the books and blackboards generally forget."

DIGNE, R. *Le marché à terme des rentes françaises.* (Paris: Les Presses Universitaires. 1928. Pp. xiii, 202. 25fr.)

A history of French *rentes* and of the speculation in them from 1522 to the present day. The author maintains the usefulness of speculation.

DRAGONETTI DE TORRES, A. *Nuovi saggi di economia politica. Napoleone I e gli economisti con l'aggiunta di un secondo saggio.* (Turin: Fratelli Bocca. 1927. Pp. 159. L.15.)

EICHBORN, K. VON. *Das Soll und Haben von Eichborn & Co. in 200 Jahren. Schicksal und Gestaltung eines Bankhauses im Wandel der Zeiten.* (Munich and Leipzig: Duncker & Humblot. 1928. Pp. xvi, 384. M.20.)

FERRI, C. E. *Aspetti economici della vita italiana, 1920-1925.* (Milan: Tip. U. Acquati. 1927. Pp. 322. L.20.)

GIDEONSE, H. D. *Transfert des réparations et le plan Dawes.* (Lausanne: Payot. 1928. Pp. 124.)

A very competent account of the Dawes plan for the transfer of the reparations, with a discussion of the opinions of various economists with reference to it and its connection with the debts of the allies. A good bibliography of the subject is appended.

HEYER, F. *Die britische Wirtschaftspolitik nach dem Kriege.* (Jena: Fischer. 1928. Pp. vii, 84. Rmk. 4.50.)

HOLLAND, M. and PRINGLE, H. F. *Industrial explorers.* (New York: Harper. 1928. Pp. 359. $3.)

HOSKINS, H. L. *British routes to India.* (New York: Longmans. 1928. Pp. 507. $7.50.)

JENKIN, A. K. H. *The Cornish miner: an account of his life above and underground from early times.* (London: Allen & Unwin. 1927. Pp. 351. 12s. 6d.)

This narrative and descriptive history of mining in Cornwall is the product of life-long interests of a personal and professional character. The romantic appeal of the mines to the adolescent boy was never lost by the trained engineer; for with mature years the theatre of romance was enlarged by historical study and intensified by deeper insight into the life of the workers. The written records of Cornish mining have been thoroughly searched. Knowledge of old workings and of survivals of old methods has been skillfully used in the interpretation of the formal records and in the visualization of past life. The technical competence of the author is constantly in evidence, but never obtrusive; he is able to portray in detail every feature of the miner's life in terms that enable the reader to appreciate the character of the task and the human qualities developed by such an occupation. The volume is thus a remarkable achievement.

The narrative begins with a discussion of the earliest working of tin in Cornwall, but the early period is passed over rapidly. There is, however, a clear-cut description of the methods of mining above ground, and a good account of the origin and significance of the stannary courts. The beginning of underground mining is shown to have been earlier than has commonly been supposed, though deep mining was not generally established until the sixteenth century. From this point, the compass of the narrative increases. Thereafter, the vicissitudes of mining are closely followed. Fuel and drainage problems of the seventeenth and eighteenth centuries are vigorously described and many new details appear on the early steam engines, covering both the Newcomen engines and the rapid introduction of Watt's engine. Changes in the demand for pewter led to a severe depression at the close of the eighteenth century; then, quite suddenly the whole aspect of Cornish mining changed, and a period of unparalleled expansion began. The external history is vigorously portrayed, but the economic factors in the great boom are not explained at great length. It was evidently the author's purpose to subordinate economic analysis to description of the mines and the life of the miners. There is rather more detail, however, on the depression that began in the seventies, and substantial material on the emigration of miners to South Africa and to America. Abbott Payson Usher

Joseph, P. *Foreign diplomacy in China, 1894-1900: a study in political and economic relations with China.* (London: Allen & Unwin. 1928. Pp. 458. 16s.)

Author undertakes to explain the real factors which have affected Chinese diplomacy, among which are finance, trade, and trade routes. The student of economic history will find abundant helpful data in the field of his special interest. Chapter 2 treats of the commercial privileges of the foreigner, Chapter 6, of the first idemnity loan, and Chapter 17, of the Anglo-Russian railway sphere arrangement. The volume is thoroughly documented with references.

Keller, A. G. and Bishop, A. L. *Commercial and industrial geography.* Rev. ed. (Boston: Ginn. 1928. Pp. v, 357. $1.28.)

For students in secondary schools.

Knight, M. M., Barnes, H. E. and Flügel, F. *Economic history of Europe.* (Boston: Houghton Mifflin. 1928. Pp. ix, 813. $4.50.)

This text was reviewed when issued in separate volumes covering respectively the Middle Ages and modern times. Publication as a single volume makes the work more convenient and somewhat less expensive. Thanks to the excellent judgment of the publishers, this rather large volume is unusually manageable in thickness and in weight. General readers and college students will find it the most satisfactory single volume on economic history now available. It possesses the unusual merit of being fully abreast of the best thought on the subject, and somewhat in advance of the general body of special literature, much of which is still dominated by older points of view. A. P. U.

Kritzman, L., editor. *Materiaux sur l'histoire de la revolution agraire.* Vol. I. (Moscow: Academie Communiste. 1928. Pp. 799.)

Mancini, A., Dorini, U. and Lazzereschi, E., editors. *Lo statuto della corte dei mercanti in Lucca dal 1376.* (Firenze: L. S. Olscki.)

Michelson, A. M., and others. *Russian public finance during the war.* Econ. and social hist. of the World War, Russian ser. (New Haven, Conn.: Yale Univ. Press. 1928. Pp. 484. $5.)

Miller, A. *Essai sur l'histoire des institutions agraires de la Russie Centrale du XVIe au XVIII siècles.* (Paris: Marcel Giard. 1926. Pp. viii, 380. 37.50fr.)

On the agrarian institutions of Russia from the sixteenth to the eighteenth century and especially on the *Pomestia,* the grants made by the Czar in return for military or civil service. Under this system the condition of the serfs became even worse than under the Boyars.

Mondaini, G. *Manuale di storia e legislazione coloniale del Regno d'Italia.* Vols. I and II. (Rome: Attilio Sampaolesi, 1924-1927. Pp. viii, 637; viii, 228. L.60.)

This monumental work by Professor Mondaini deals with a half century of Italian history in the building up of a colonial empire on the Mediterranean and Red Sea. The first volume deals with the early objectives when Cavour was a leader, followed by a detailed history of the wars with Abyssinia, the organization of Erithraea, the penetration of Abyssinia and the conquest of Lybia. The second volume contains a description of the civil and economic organization of the colonies and deals with the monetary and credit mechanism and the tariff system of the countries involved.

Riccardo Bachi

Mortara, G. *Prospettive economiche, 1928.* (Milan: Università Bocconi, 1928. Pp. xv, 523. L.40.)

In scope and arrangement this yearbook is not essentially different from its seven predecessors. It examines world production and world trade with respect to a series of commodities of primary importance to the world and to Italy (wheat, cotton, coal, oil, iron, copper) and similar conditions in other commodities secondary in importance for the world yet stressed in Italian production (wine, olive oil, silk, hemp). Selection and treatment of data are such as we have learned to expect from Professor Mortara. There is shrewdness in the attempt made at the end of each chapter to weigh intangibles and to indicate the probable course of production and trade in the near future, apparently a year more or less. These sections rather inevitably discuss many matters not primarily economic, and venture far into the political sphere where other students would be likely to emphasize other trends.

It would be disingenuous not to point out that the book has a pervading philosophy and that this is the regnant political philosophy of the times in Italy. That country, it is stated for example, raises too much wine, a crippling circumstance in war time; the state therefore, must determine what cultivations should be substituted for the grape. Hemp is the only fibre that can be produced in quantity in Italy; from the point of view of national safety the production of it is precious. Italy lacks mineral oil; the seriousness of the deficit can only be appreciated by whoever considers the needs of navy, air service and automobile transportation in time of war. Development of water power would make Italy less dependent on importations of coal. Though the country possesses neither iron nor coal, she does not neglect the making of steel. These examples are adduced out of many as an indication of fascist political thought

applied by an expert to economic problems. Similar nationalistic thought, as everyone knows, is a feature of the post-war period in many countries of Europe.

The book concludes with a survey of public finance and of money problems during the last year. For these chapters the statistical data are common property. There is a discussion of the remarkable financial recovery of Italy and also of the stabilization of the lira, with praise for the manner in which this was accomplished. The course of Italian trade, both international and internal, during the subsequent eight months raises the question whether stabilization was not effeeted at too high a figure.

ROBERT F. FOERSTER

MOZZI, U. *I magistrati veneti alle acque e alle bonifiche.* (Bologna: N. Zanichelli. 1927. Pp. xi, 109. L.10.50.)

RUSSELL, J. A. *Joseph Warren Fordney: an American legislator.* (Boston: Stratford Co. $3.)

STREET, C. J. C. *Slovakia, past and present.* Pub. by the Czech Society of Great Britain. (London: P. S. King. 1928. Pp. 64. 1s. 6d.)

TAYLOR, G. *Australia in its physiographic and economic aspects.* 5th ed. (New York: Oxford. 1928. Pp. 268. $1.50.)

THOMAS, H. C. and HAMM, W. A. *Our own times.* (New York: Vanguard Press. 1928. Pp. vii, 332. 50c.)

WILSON, L. A. *Some industrial needs of New York State.* Address delivered at the twenty-third annual convention of the Empire State Gas & Electric Association, September 20, 1928. (New York: Empire State Gas & Electric Assoc., Grand Central Terminal. 1928. Pp. 10.)

YARD, R. S. *Our federal lands: a romance of American development.* (New York: Scribner. 1928. Pp. 376. $5.)

ZAGORSKY, S. O. *State control of industry in Russia during the war.* Econ. and social hist. of the World War, Russian ser. (New Haven, Conn.: Yale Univ. Press. 1928. Pp. 370. $4.)

Canada year book, 1927-28 (Ottawa: H. M. Stationery Office. 1928.)
The usual volume with the improvements annually expected.

Credit position of Brazil (revised). Bull. no. 20 (rev. of no. 3). (New York: Institute of International Finance. 1928. Pp. 34.)

Credit position of Germany. Bull. no. 19. (New York: Institute of International Finance. 1928. Pp. 33.)

Credit position of Peru. Bull. no. 18. (New York: Institute of International Finance. 1928. Pp. 29.)

Economic briefs of Europe. (Chicago and New York: Ames, Emerich & Co. 1928. Pp. 114.)

A series of discussions on the present economic status of the countries of Europe from the point of view of the investment banker. Material collected under the direction of Dr. Paul M. Atkins. Illustrated by maps and charts. Data clearly arranged.

Economic briefs of Latin America. (Chicago and New York: Ames, Emerich & Co. 1928. Pp. 154.)

A series of discussions on the present economic status of the countries of South America, Central America, Mexico and the West Indies from the point of view of the investment banker. Prepared under the direction of Dr. Paul M. Atkins. Contains four maps.

L'economia bresciana: struttura economica della Provincia di Brescia. Vol. I, part 2. *L'agricoltura.* (Brescia: Tip. F. Appollonio. 1927. Pp. 270.)

New Zealand: local authorities handbook, 1928. No. 3. (Wellington: Census and Statistics Office. 1928. Pp. xi, 728. 7s. 6d.)

A picture of world economic conditions. (New York: National Industrial Conference Board. 1928. Pp. xi, 118. $2.)

A series of studies based upon information furnished by the foreign correspondents of the Board, followed by the original reports of a selected list of correspondents. Among these may be noted: for England, Rt. Hon. Reginald McKenna; for Germany, Franz von Mendelssohn; for France, Professor André Siegfried, and for Italy, Signor Alberto Pirelli.

Agriculture, Mining, Forestry, and Fisheries

Grain Growers' Coöperation in Western Canada. By Harold S. Patton. (Cambridge: Harvard University Press. 1928. Pp. xix, 471. $5.00.)

The widespread interest which the wheat pools of Western Canada have created makes timely the publication of this book, which gives a complete account of the background of the pool movement and a description and analysis of pool operations up to date.

Coöperation among the grain growers of Western Canada arose out of the struggles of the isolated and economically weak prairie farmers to secure favorable treatment from powerful elevator and railway companies in the 1890's and in the first decade of the present century. Mr. Patton traces first this struggle for free marketing and the beginning of grain growers' coöperation in the establishment of the Grain Growers' Grain Company in 1906. The second phase was the extension of this coöperative grain commission company to include a line of elevators and the establishment in the provinces of Saskatchewan and Alberta of separate coöperative elevator companies. These companies provided the coöperative marketing facilities for Western Canada down to the establishment of the wheat pools in 1923 and 1924. It is the wheat pool movement that constitutes the third and present phase of the coöperative grain marketing. The history of coöperation in Western Canada up to the establishment of the wheat pools has been discussed at length by other writers, and in this section of his work Mr. Patton is retreading familiar ground. The larger part of his book, however, deals with the origin and operation of the wheat pools, and here he has presented a study more thorough and satisfactory than has previously been produced. He has succeeded admirably in presenting intelligibly the mass of detail which necessarily relates to the organization of such extensive bodies as the wheat pools. At

times, however, the reader who is not familiar with the technique of grain marketing will follow his descriptions with difficulty.

The Canadian wheat pools were the answer which the farmers of Western Canada made to the severe depression which followed the withdrawal of government control and the collapse of wheat prices. Burdened by the low purchasing-power of his wheat, the western grain farmer sought desperately for a remedy. Through a period of twenty years he had learned a good deal of self-reliance and had attained a considerable capacity for coöperative endeavor; the plans made for the Canadian wheat pool were in consequence more likely to be successful than were similar, though less practical, plans put forward in the United States. After five years' experience with the pools it is possible to say that the western farmer has more confidence and assurance in his marketing activities than at any previous period. He has no control over the world market, but he is assured that he will get very nearly the full average value of his wheat and that it will be marketed at the lowest possible cost. Again, the pool, by reason of the volume of grain handled, has been able to reduce slightly the handling charges borne by the farmer. In addition and most important, the small farmer who sells his wheat "on the street" has been placed in a distinctly more advantageous position. The coöperative elevator companies, though they did much for the seller of street wheat, benefited more largely than the farmer who could ship his grain by the carload and sell on consignment. Lastly, the price for low and off-grades of wheat has been improved by the pool's activities.

These gains have probably been substantial enough to retain the loyalty of the farmers even though world prices for wheat should fall, as they did last autumn. It might have been much more serious had the pools not already had four or five years of high prices and prosperity, for the gains which have resulted are not those on which the promoters laid most stress. It was only to be expected that, in the organization of the pools, extravagant claims should be made as to the gains which might result from pool operations. It may even have been necessary that the evangelical zeal of Aaron Sapiro should spread like contagion among the prairie farmers. A survey of the history of the pools to date shows that the substantial progress has not been based on the borrowings made from coöperative organizations in the United States. Perhaps the greatest emphasis, as Mr. Patton points out, was laid on the claim that "orderly marketing" would bring substantial gains, as the price of wheat was normally depressed in the fall months and correspondingly high in the winter and spring months.

Pool leaders have been forced to undertake some counter-education on this point and to explain to their members that orderly marketing

does not mean necessarily spreading sales evenly throughout the year, but may mean only discriminating marketing. In other words, their experience has shown that on analysis the marketing of the Canadian grain crop in the pre-pool days was a remarkably orderly proceeding when the harvest periods of other wheat-producing countries were taken into account. A further claim which appears not to have been substantiated, although it is difficult to get satisfactory evidence on the point, is that the direct selling of wheat to Europe might bring significant gains. The pools have established agencies in all the main European markets and are selling wheat directly to the millers and importers of those countries. Evidence concerning the results of this activity is confusing. On the one hand there are repeated reports that the pool is under-selling private grain companies in European markets; and on the other, European millers complain that the pool is raising the price of wheat to them. It is difficult to weigh the conflicting evidence, and on this particular point Mr. Patton gives little help. There seems, however, to be some justification for thinking that in attempting to substitute its direct agencies for the army of commission men and brokers who handle imported grain in European countries, the pool has been forced to shade prices in order to gain a footing against established competition and established service.

The five-year period in which the pools have been in operation is scarcely of sufficient length on which to base a satisfactory analysis. It is, however, interesting to see the extent to which original aims and method have been modified by the logic of experience. The model for the Canadian wheat pool was found in the California coöperative organizations, and it was repeatedly stated that the pool must in essence be purely a selling agency; the earlier coöperative elevator companies were severely criticized because of the large properties and reserves which they had built up. The golden word of pool-propaganda was "merchandising," although it was apparent to any student of marketing that the gains to result from the merchandising of Canadian wheat were very small as compared with the gains coming from merchandising of perishable California fruits. When the pool was established in Western Canada there was in existence the most efficient grain marketing system in the world, whereas California coöperatives supplanted a most elementary and inefficient set of marketing machinery.

Developments during the past five years have shown the way in which experience has modified the first fine, careless rapture of pool propagandists; the pools have abandoned their purely selling functions and have become the largest elevator owners and operators in the country. It was probably necessary to their efficient operation that this should be done, but, nevertheless, it represents a distinct modifi-

cation of their original plans. As already pointed out, they are laying chief emphasis now on gains to the farmer which had been quite neglected in their original program, and are strongly deprecating the idea that the pool can have any control over the world-price of wheat, or that orderly marketing has any rule-of-thumb system of selling equal monthly quotas of wheat. As a matter of fact, the pools are performing the functions which might have been performed if the old farmers' coöperative companies had amalgamated, paid patronage dividends and been able thereby to enlarge their scope. The pool is following out to a considerable extent policies for which the older coöperative companies were severely criticized by members of the Farmers' Union.

This is a familiar story in all farmers' organizations in Western Canada. Faced with practical problems, farmers' organizations have found it desirable to adopt policies which they had previously denounced; but, nevertheless, this continued education of the farmer has brought progress and a sense of power and security which is of the very highest importance to agricultural prosperity in Western Canada.

Queen's University W. A. Mackintosh

NEW BOOKS

Bellerby, J. R. *Coal mining: a European remedy.* (New York: Macmillan. 1928. Pp. 78. $1.50.)

Branchini, A., editor. *L'agricoltura in Provincia di Pavia e la battaglia del grano.* (Pavia: Commissione Provinciale per la Propaganda Granaria. 1927. Pp. 159.)

Ciasca, R. *Storia delle bonifiche del Regno di Napoli.* (Bari: Guis. Laterza & Figli. 1928. Pp. xii, 253. L.20.)

This is a contribution to the long debated question of the inferiority of southern Italy as compared with the northern section of the kingdom. Describes the natural resources in agriculture through a period of many centuries. Riccardo Bachi

Crowther, S. *The new agriculture.* (Philadelphia: Curtis Pub. Co. 1928. Pp. 40.)

Davis, K. C., editor. *Livestock enterprises.* (Philadelphia: Lippincott. 1928. Pp. 501. $2.)

Donati, N. *L'industria della paglia nella provincia di Firenze.* (Firenze: Camera di Commercio e Industria. 1927. Pp. 102.)

Fairchild, F. R. *Progress report of the forest taxation inquiry.* (Washington: U. S. Dept. of Agriculture, Forest Service. 1928. Pp. 37.)

Frisella Vella, G. *Il traffico fra l'America e l'Oriente attraverso il Mediterraneo, con appendice sul Porto di Palermo.* (Palermo: Remo Sandron. 1928. Pp. xvi, 215. L.15.)

In this volume the author calls attention to the possibility of a large maritime trade between America and the Near East through the Mediterranean Sea, which would bring about a revival in the economic development of Sicily. The harbor of Palermo would thus again become one of the commercial centers. Riccardo Bachi

GALVANI, G. *L'industrializzazione della pesca marittima. Problemi economici e di tecnica pratica dell 'industria della pesca.* (Firenze: Tip. G. Ramella. 1927. Pp. 74.)

GORDEEF, G. S. *Decline of the landowning farmers in the United States.* (Moscow: International Agrarian Institute. 1928. Pp. 242.) Printed in Russian.

GRUSE, W. A. *Petroleum and its products.* Mellon Inst. technochemical ser. (New York: McGraw-Hill. 1928. Pp. 377. $4.50.)

HOHMAN, E. P. *The American whaleman: a study of life and labor in the whaling industry.* (New York: Longmans Green. 1928. Pp. 369. $5.)

JULIHN, C. E. *Summarized data of copper production.* Econ. paper 1. (Washington: Supt. Docs. 1928. Pp. vii, 32. 10c.)

LANDIS, B. Y. and FRAME, N. T., editors. *A decade of rural progress.* (Chicago: Univ. of Chicago Press for American Country Life Association. 1928. Pp. 161. $2.)

Contains proceedings of the Tenth and Eleventh National Country Life Conference, held in 1927 and 1928. Papers were presented on rural progress affecting the farm house and community life, taxation, agricultural income and standards of living.

LUZZATTO, F., and others. *Le Brughiere.* (Piacenza: Federazione Italiana dei Consorzi Agrari. 1927. Pp. 266. L.30.)

MINARDI, A. *Economia rurale applicata alla zoötecnia.* (Piacenza: C. Tarantola. 1927. Pp. xi, 222. L.10.)

PAYNE, H. M. *Natural resources and national problems.* (Washington: American Mining Congress. 1928. Pp. 70. 50c.)

PETROCCHI, B. *L'agricoltura nella Provincia di Firenze.* (Firenze: Camera di Commercio. Pp. viii, 514. L.50.)

SURFACE, F. M. *The grain trade during the World War.* (New York: Macmillan. 1928. Pp. 707. $6.)

TASSINARI, G., and others, editors. *Prezzi e costi di prima lavorazione delle piante nei boschi italiani: prezzi di macciatico.* Vol. I. *Le Alpi e l'Appennino ligure.* (Rome: Ministero dell 'Economia Nazionale Istituto di Econ. e. Stat. Agraria. 1927.)

WATTS, G. S. *Roadside marketing.* Farm and garden lib. (New York: Orange Judd Pub. Co. 1928. Pp. 1928. $1.25.)

WEBER, G. A. *The bureau of chemistry and soils: its history, activities and organization.* Service monographs of the U. S. govt., no. 52. (Baltimore: Johns Hopkins Press. 1928. Pp. xi, 218. $1.50.)

WIDTSOE, J. A. *Success in irrigation projects.* (New York: Wiley. 1928. Pp. v, 153. $1.75.)

Caratteristiche principali dell 'economia agricola della Provincia di Ravenna. (Ravenna: Fed. Sindacati Fascisti Agric. della Provincia di Ravenna. 1927. Pp. 54.)

Annual report of the director of the Bureau of Mines to the Secretary of Commerce for fiscal year ended June 30, 1928. (Washington: Supt. Docs. 1928. Pp. vi, 57. 10c.)

Mineral resources of the United States in 1927 (preliminary summary). (Washington: Supt. Docs. 1928. Pp. 120. 20c.)

Petroleum industry of the U. S. S. R.: International Petroleum Exposition, Tulsa, Oklahoma. (New York: Amtorg Trading Corp. 1928. Pp. 16.)

Manufacturing Industries

NEW BOOKS

CALAMAI, C. *L'industria laniera nella provincia di Firenze.* (Firenze: Camera di Commercio e Industria. 1927. Pp. 331. L.40.)

EDGERTON, J. E. *Address delivered at annual dinner held jointly by the National Association of Manufacturers and the National Industrial Council.* (New York: National Assoc. of Manufacturers. 1928. Pp. 14.)

KEIR, M. *Manufacturing: a volume of industries of America.* (New York: Ronald. 1928. Pp. vii, 611. $5.)

MOLINARI, A. *Annuario dell 'industria chimica e mineraria, 1927.* (Turin: Tip. Silvestrelli e Cappelletto. 1927. Pp. 319. L.25.)

Conowingo. (Boston: Stone & Webster. 1928. Pp. 32.)

An illustrated description of a hydro-electric development in Maryland.

Factory production: statistical report of the Dominion of New Zealand for the year 1926-27. (Wellington: Census and Statistics Office. 1928. Pp. xxiv, 113. 2s. 6d.)

Transportation and Communication

Principles of Inland Transportation. By STUART R. DAGGETT. (New York: Harper. 1928. Pp. xvii, 705. $4.00.)

Professor Daggett makes a distinctive contribution to the general literature on transportation. He has broken away from the pattern of older books, in a book that is original and refreshing.

The volume is evidence of the recent tendency to broaden general courses in transportation. Two chapters are devoted to inland waterways, two to highway transportation, one to air transportation, and one to street and interurban railways. The chapters on highway transportation give us much information about the place that motor transportation is making for itself and a clear presentation of its regulation. In the chapter on regulation of inland waterways the author has gathered together the principal statutory provisions relating to the subject and devotes considerable attention to the administration of those laws. Hitherto it has been difficult to find an adequate summary of this subject. Persons interested in the present controversy over the establishment of joint rates between rail lines and the Mississippi-Warrior barge service will find Daggett's review of this topic an excellent background.

Perhaps the outstanding feature of the study is the attention given to traffic geography, a topic usually neglected in general books on transportation. Six chapters are devoted to this, and they are profusely illustrated with maps, taken largely from official sources, showing traffic routes and the movement of particular commodities such as

grain, livestock, fruit, lumber, cotton, and sugar. There may be some question as to the wisdom of devoting so large a proportion of the text to traffic geography; but there can be no question of the excellence of the presentation, nor of the care which has been taken to enable the reader to visualize the subject.

The chapters on common carrier liability and the railroad's duty of service will be welcome, as these subjects have previously received too scant attention. There is also a chapter on railway terminals, a subject neglected by many writers, as Ripley pointed out a few years ago. Other subjects, although treated in many of the general books on transportation, are handled in a superior manner by the author, as, for example, personal discrimination, and pools and traffic associations. Specific cases illustrate the matter under discussion, thereby increasing the effectiveness of the presentation. The chapter on place discrimination is especially good. That part of the chapter, however, which deals with section 4 of the Interstate Commerce act is somewhat disappointing. The policy of the Interstate Commerce Commission in granting fourth section relief is more easily reduced to general principles than the policies followed in the administration of many sections of the Act. It seems unfortunate that Professor Daggett did not describe the circumstances and conditions under which relief from section 4 is granted.

The chapter entitled "Rates on particular hauls" discusses the principles usually considered under the title of theory of rates. On page 364 the author says: "The value of the service of transporting an article from one market to another is measured by the difference in cost of acquisition of the commodity in one market and its price in another." A similar statement is made on page 363. Following the latter, however, is a sentence indicating that the author realizes the inadequacy of this statement regarding the meaning of the value of the service although he does not state the limitations. In many cases, of course, the freight rate explains the difference in price in two places rather than vice versa. This concept might have been analyzed more fully. The matter has been ably treated before—notably by H. T. Newcomb and J. B. Clark—and a similar analysis ought more generally to be included in textbooks purporting to discuss economic aspects of transportation.

The chapter on railway consolidation will prove of wide interest. Daggett recognizes that the fundamental purpose of the consolidation provisions of the Transportation act was to solve the weak-and-strong-road problem. But on page 462 he states emphatically that equalization in earnings cannot be accomplished by consolidation. He points out that when railways consolidate they normally combine on the basis

of their relative earning power. As a result, the earnings of the consolidated properties are distributed among the stockholders of the original companies on the same basis that they were before. "If railroad A contributes 80 per cent of the earnings of the new enterprise, then its shareholders under this theory will receive 80 per cent of the earnings of the two combining companies, which is precisely what they had before." Consequently a regrouping of railroads into systems of equal earning power "does not equalize . . . . between the human owners of the companies . . . . although it does equalize between the companies themselves," and it "remedies, therefore, no injustice," and the "fundamental evil which the Act has sought to remedy has not been cured." In this connection it should be recalled that what Congress and the Interstate Commerce Commission have been trying to do is to regulate rates. In attempting to regulate rates on the basis of a fair return upon the fair value of railway property, regulatory authorities are confronted by the impossibility of applying this standard to roads of unequal earning power. Consolidation of the weak roads with the strong would make this standard a workable one. It is equalization of earnings between the railroads themselves, not equalization between the "human owners" of the railroads that Congress is interested in.

Not everything that one would like can be included in a book of 700 pages. Since the volume includes much that is not usually found in texts on transportation, something had to be left out or treated briefly. There is no discussion of railroad finance, no description of leading rates structures, no treatment of freight classification and related problems, and the discussion of railroad valuation is meager in view of its importance. Notwithstanding these omissions this text will become a standard work in its field.

University of Illinois D. PHILIP LOCKLIN

The Economics of Rail Transport in Great Britain. Vol. I. *History and Development.* Vol. II. *Rates and Service.* By C. E. R. SHERRINGTON. (New York: Longmans Green. 1928. Pp. xii, 283; xii, 332. $5.00 each.)

This is a serious book in two volumes covering English railroad history, railroad economics, and railroad operation, with rather more stress upon operation and the characteristics of the railway operating plant, including roadbed and equipment, and rather more reference to American experience, than is customary in non-engineering English treatises upon these subjects in recent years. The author is lecturer on transport in the London School of Economics, and was formerly instructor in economics at Cornell University, New York.

Volume I is devoted almost entirely to English railroad history. It takes up, first, the history of the expansion of the major systems, then the development of the permanent way, of the railway locomotive, and of the freight and passenger car. Two condensed final chapters deal with the growth of government regulation from 1830 to 1925. Volume II is almost equally divided between technical problems, such as those related to railroad organization, train and yard operation, electric traction, and the working of the Railway Clearing House, and economic problems including the consideration of financial and rate policies, railway statistics, the competition between rail, motor vehicle, and air transport lines, and the advantages and disadvantages of state ownership and operation.

American students will find the historical discussion in volume I hard reading because of its detail, although the work shows the result of an enormous amount of painstaking labor, and will be valuable for reference if not for light entertainment. And the narrative does not altogether lack striking features. The reviewer is impressed, for instance, by the account of the building of the Canterbury and Whitstable Railway (p. 12). Here was a case where an engineer sent by George Stephenson to survey a proposed line remarked upon the absence of engineering difficulties, while the local people desired a tunnel as a feature of their line to attract passengers. Sherrington tells us that for this last named reason the road was redesigned, gradients to a maximum of 1 in 28 were put in, operated by stationary engines, and the necessary tunnel was located and driven. One must concede that action of this sort displayed originality and a sense of imponderable values that deserve respectful appreciation; but there is some danger on the other hand lest the story ruin the morale of students at modern engineering colleges if brought generally to their attention.

In so far as the reviewer can judge, the portions of the book which deal with railroad operation are well done. They are clear, reasonably systematic, and they display a high degree of familiarity with railway practice in England and in the United States. Sherrington is, incidentally, secretary of a Railway Research Service, located in the London School of Economics but supported by British railways, and has experience with the kind of writing which is both scientific and helpful to practical operating men. Economists will be interested in the chapters which deal with railroad rates, government regulation, and state ownership. The author is not a doctrinaire advocate of either government or of private operation, believing that state ownership is a different matter in different countries, and that each case must be judged on its own merits, taking into account racial, economic, and social aspects of the situation. For England, he appears to believe

that the decision in favor of private ownership was wise. Nor is he a radical in the matter of rates—indeed, the pages upon the monopoly principle and the upper and lower limits of rates have an old and familiar ring. He discusses, however, mileage charges, and the reasons for departing from mileage charges, from a British point of view. The standard schedule of charges prescribed by the English Railway Rates Tribunal is printed in an appendix, and obviously differs from American scales in its low initial rate and rapid subsequent progression. How far this contrast is to be explained by peculiar British conditions, and how far by decisions upon questions of general principle, Sherrington does not say, although he does express the view that costs per ton per mile for haulage do not change to an important degree after a distance of 100 miles is reached; and this dictum is consistent with the fact that the conveyance rate in the Rate Tribunal Scale remains fixed per ton per mile after 100 miles.

The question has been raised as to whether these two volumes may not serve as texts in college courses in the United States. Probably neither of them are suitable for this, for various reasons; but they both deserve a considerable sale in this country alike among railroad men and among academic students of transportation.

University of California STUART DAGGETT

NEW BOOKS

DUDLEY, A. S. *The economics of railroad valuation.* (Chicago: C., M., St. P. & P. R. R. Company. 1928. Pp. 94.)

A summary of the testimony of the author, a railroad tax commissioner, in a suit brought in the federal courts in the State of Washington by the Milwaukee Railroad Company. Economists will be interested in the discussion of value, relation of cost to value and reproduction cost.

FORTUNATO, G. *Le strade ferrate dell 'Ofanto, 1880-1897.* (Firenze: Ed. Tip. A. Vallecchi. 1927. Pp. xxv, 480. L.25.)

FRANKEL, S. H. *The railway policy of South Africa: an analysis of the effects of railway rates, finance and management on the economic development of the Union.* (Johannesburg: Hortors, Ltd. 1928. Pp. xvii, 367.)

KING, S. H. *Railroad freight car service: control by the car service divisions of the American Railway Association.* A thesis. (Philadelphia: Univ. of Pennsylvania. 1927. Pp. 89.)

LOCKLIN, D. P. *Railroad regulation since 1920.* (Chicago: Shaw. 1928. Pp. vii, 211.)

MACDERMOT, E. T. *History of the Great Western Railway.* Vol. I. (London: Great Western Ry. Co., Paddington Station. 1927. Pp. 902. 21s.)

MILONE, F. *Il porto di Napoli: studio di geografia economica.* (Città di Castello: Soc. An. Tip. "Leonardo da Vinci." 1927. Pp. 130. L.25.)

MUNDY, F. W., editor. *Mundy's earning power of railroads, 1928.* (New York: James H. Oliphant & Co. 1928. Pp. 581.)

NAPP-ZINN, A. F. *Binnenschiffahrt und Eisenbahn.* (Leipzig: G. A. Gloeckner. 1928. Pp. vi, 126. M.7.20.)

On the railroads and canals of Germany and the merits of each for the transport of freight.

Splawn, W. M. W. *Government ownership and operation of railroads.* (New York: Macmillan. 1928. Pp. 492. $5.)

Starr, J. W., Jr. *One hundred years of American railroading.* (New York: Dodd Mead. 1928. Pp. 356. $3.50.)

Thompson, S., editor. *Railway statistics of the United States of America for the year ended December 31, 1927, compared with the official reports for 1926 and recent statistics of foreign railways.* (Chicago: Bureau of Railway News and Statistics. 1928. Pp. 154.)

A catechism on the Pullman surcharge. (New York: Committee on Public Relations of the Eastern Railroads, 143 Liberty St. 1928. Pp. 8.)

Economic situation in the railway industry. Misc. ser. no. 46. (Washington: Bureau of Railway Economics. 1928. Pp. 16.)

"The greatest law-suit in history." A discussion of the issues involved in the St. Louis and O'Fallon railroad valuation. (New York and Chicago: James H. Oliphant & Co. Pp. 24.)

International Chamber of Commerce: report presented to the universal postal union. Brochure no. 67. (Paris: International Headquarters, 38 Cours Albert-Ier. Pp. 18.)

Property investment, operating income account, and traffic statistics. Class I steam roads by regions (1921-1927). Statistical summary no. 9. (Washington: Bureau of Railway Economics. 1928. Pp. 15.)

Railroad facts: a yearbook of railroad information (1928 edition). No. 6. (Chicago: Western Railways Committee on Public Relations. 1928. Pp. 94.)

Sviluppo delle ferrovie italiane dal 1839 al 31 dicembre 1926. Ministero delle Comunicazioni, Ferrovie dello Stato, Servizio Personale e Affari Generali, Ufficio Centrale di Statistica. (Rome: Tip. Cecchini. 1927. Pp. 183.)

Trade, Commerce, and Commercial Crises

International Trade in Staple Commodities. By Edward E. Pratt. (New York: McGraw-Hill. 1928. Pp. viii, 570. $5.00.)

The commodities discussed in this book comprise four textiles—namely, cotton, wool, silk and jute; four foods, wheat, sugar, tea and coffee; two minerals, coal and petroleum, and the three unclassified articles, rubber, Chilean nitrate and lumber. The author selected from the general subject of *international trade* his narrower field of *staple commodities* because both the volume and the value of the world's trade consists mostly in staples. Moreover the author has found this field neglected by writers on account of the obscurity, complexity and individuality of the information concerning each staple commodity. The thirteen staples chosen for elaboration were picked either because of their value and volume in international trade or because of some peculiar character or complexity in the trade in them. Thus jute was

given a place while iron ore was excluded, because jute not only is the cheapest textile fiber but its trade ranks next to cotton in volume, whereas the iron ore trade is either wholly domestic or a private transaction of a large corporation.

Mr. Pratt traces each of the thirteen commodities from its points of production to its places of consumption. This involves first an economic comparison of areas of production. Secondly within each area the scale, localization or decentralization, and type of ownership of production are analyzed as to their bearing upon world trade. The author then turns to a description of the marketing mechanism proceeding from local through primary to seaboard markets. The special functions and facilities of each market are set forth. The manner in which producers and forwarders finance their operations is treated in minute detail, and of course the organization and functions of commodity exchanges are given in full. Since the latter involves price, the author is led into the complementary topic of price fixing and control by interested individuals, corporations and nations. While what we have said suggests the author's treatment of each commodity in its country of production, he reverses this outline when discussing the commodity in its country of consumption.

Although Mr. Pratt is an American his book was written in Belgium. This is significant; for, despite a natural emphasis given to the United States, the author's viewpoint is detached from nationalism and his book thereby gains in authority.

The avowed purpose of this book is "to explore a comparatively new terrain in international trade, to arouse interest in an extremely practical side of world commerce and to furnish material for training men and women who wish to practice this type of business." Of this threefold purpose the first is adequately attained. The second is tempered by the fact that Mr. Pratt inherited his literary style from the official reports of the United States Bureau of Foreign and Domestic Commerce of which he for some time was chief. The third purpose is splendidly accomplished if properly qualified. The book cannot be used by beginners, for it assumes too much knowledge of technical terms, symbols, and practices. For advanced students the work will serve admirably as a reference for study of details. Its best use could be made by junior executives or clerks already connected with the business of international trade; these would find it invaluable in increasing their information, broadening their outlook and furnishing data for comparing the practices in their own commodities with other similar ones.

Dartmouth College MALCOLM KEIR

NEW BOOKS

ABBATI, A. H. *The final buyer.* (London: P. S. King. 1928. Pp. x, 194. 8s. 6d.)

Mr. Abbati outlines in this book his solution for the general trade depression. This consists in the proper adjustment of the velocity of final-buying to the velocity of production. The term final-buying includes not only the purchase of non-productive equipment by anyone for his own use, and consumable goods and services for consumption, but also the purchase of productive equipment by producers for use in their own businesses. Situations seldom arise where the velocity of final-buying is excessive, and, in consequence, the author directs his attention to the factors underlying an inadequate velocity of final-buying. The monetary system, banking policy, the purchasing power of final-buyers, the nature and the effect of saving, rates of change in gold mining, buying by countries abroad, the payment of international debts, government purchases, and the activities of producers and distributors are successively examined to determine what each offers or may be made to offer toward speeding up the velocity of final-buying.

The author's suggestion for stabilizing and maintaining the rate of final-buying are found in his final chapter:

(1) That government employment be constantly available at a minimum wage varied according to the situation disclosed by periodic statistical returns of supplies arriving and leaving the premises of retailers. Government employment is to be applied to national development.

(2) Any practices of producers and distributors not strictly in accordance with free competition are to be illegal.

(3) Increased mobility of labor is to be aimed at.

(4) No taxation or governmental interference with capital and wealth such as to induce or cause capitalists to go abroad.

(5) A gold standard to be maintained with free gold movements in and out of the country.

(6) The issue of fiduciary paper money by the state to be adequate for the cash requirements of the public and banks, but the quantity issued to be varied with a view to fixing interest rates at the required level.

W. C. WAITE

COX, A. B. *Marketing American cotton on the continent of Europe.* Technical bull. no. 78. (Washington: Supt. Docs. 1928. Pp. 96. 20c.)

————. *Marketing American cotton in England.* Technical bull. no. 69. (Washington: Supt. Docs. 1928. Pp. 88, 20c.)

DIEHL, K., editor. *Beiträge zur Wirtschaftstheorie.* Teil 2. *Konjunkturforschung and Konjunkturtheorie.* (Munich: Duncker and Humblot. 1928. Pp. 167-184.)

On business cycles and on the prevention of crises.

FEIS, H. *The United States and the League. International finance and commerce.* No. 2. (New York: League of Nations Non-Partisan Assoc., 6 E. 39th St. 1928. Pp. 36.)

SMUTNY, P. *Balance des paiements.* (Prague: L'Office de Statistique de la République. 1928. Pp. 164. 20Kč.)

On the significance of the balance of international payments, and

especially on the balance of payments of the Czechoslovak Republic for the years 1925 to 1927.

SNYDER, C. *Business cycles and business measurements: studies in quantitative economics.* Text ed. (New York: Macmillan. 1928. Pp. 326. $4.75.)

Commerce yearbook, 1928. Vol. II. *Foreign countries.* (Washington: Supt. Docs. 1928. Pp. vi, 751. $1.25.)

The second issue of the separate volume devoted to foreign countries, prepared under the direction of Julius Klein, through the divisional services of E. D. Durand, L. M. Mann and L. Domeratzky. The first part deals in sequence with 65 different countries; and the second part consists of comparative statistical tables. Many maps are provided.

The international convention for the abolition of import and export prohibitions and restrictions. (Washington: Chamber of Commerce of the U. S. 1928. Pp. 20.)

List of publications of the Department of Commerce. (Washington: Supt. Docs. 1928. Pp. xiii, 138.)

Soviet-American trade outlook. (New York: Amtorg Trading Corp. 1928. Pp. 29.)

Accounting, Business Methods, Investments, and the Exchanges

Tests of a Foreign Government Bond. By ERNEST M. PATTERSON. (New York: Payson & Clark. 1928. Pp. 224. $2.50.)

Professor Patterson has written a useful book which can be read advantageously by investors. Of the ten tests proposed, the third is the most important, namely, that "the budget of the borrowing government should be clearly and definitely in balance." Coupled with this requirement "a sinking fund should be provided." This may or may not be advisable, but it is absolutely essential to the lender that he should be dealing with a solvent borrower. For the sake of clarity the author might better have worded his test, "that expenditures should be fully balanced by receipts from revenue sources." It is one thing to have a balanced budget, that is, estimated revenue receipts equaling estimated expenditures; it is quite another to have expenditures and the revenue receipts really balance.

Tests one and two, that "the borrowing country and its people should have a long record of good faith toward their creditors" and that "the general economic status of the borrowing country should be one of continuing and healthily expanding prosperity," if strictly enforced would have blocked borrowing by several nations which have come into the market for money since the armistice. It has been remarkable how the market has ignored such obvious requirements.

The fourth test that "the charges on the unproductive debt of the government should be no more than 10 per cent to 30 per cent of

the national income" strikes the reviewer as rather fanciful. The old cook books, when giving recipes for cooking a hare, say, "first catch your hare." Similarly we might say, "first let economists agree on what constitutes the national income," then provide for having the income of each nation calculated on a uniform basis. Under existing unscientific methods of determining the national income of most countries, any calculations of the burden of the debt charges, of expense as a whole, or of the tax burden, are valueless. At present there are no two economists absolutely in accord on this subject. This being so, the national income is not a measure of ability to meet national obligations, and still less is it available as a measure of relative tax burdens or of the burden of debt or other charges.

Professor Patterson believes that "on balance the borrowing country's international payments should be favorable, or at least potentially so," and that "funds secured from the bond issue should be used productively." If the former requirement had been enforced heretofore, the United States would today be much less developed than it is—we should have fewer miles of railroad and some, at least, of our western states still would be sparsely settled territories. On the other hand, if international loans were limited to productive uses, that is, to revenue producing undertakings, the post-war reconstruction and rehabilitation of Europe would have been indefinitely delayed.

The requirements that the government of a borrowing country should be stable, that there should be a definite agreement for payment of interest and re-payment of principal in gold or its equivalent, that the bonds should be free of tax in the hands of foreign holders, may all be accepted as essential. Finally, the test that, barring the ability of the borrowing country to stand his other nine tests then "the loan should be protected by special security," may be accepted as essential.

After stating and discussing his ten "tests" the author applies them to conditions as they were in 1927 in certain selected countries. The book will be useful if it does nothing more than cause the average investor to examine into the merits of foreign bond offerings before committing himself to their purchase.

For the average private investor or corporate investor, to apply Dr. Patterson's tests directly, by analyzing and studying governmental or corporate statements, would be utterly impracticable. There is, perhaps, no more difficult field of investigation. The data are often not available in intelligible form. The methods of presentation differ for each nation, state and municipality as they do for most foreign corporations. With the exception of England and certain of her dominions, clear statements, inclusive of all the essential facts, are not obtainable and even in the case of England, the data in regard

to local finances are only obtainable in brief summary and are always two years or more old.

For these reasons, in the final analysis, the investor in foreign securities, rather than trust his own judgment, will find it to his interest to deal only with issuing houses of reliability and high standing. However, the investor may justly expect the issuing house to have applied Professor Patterson's tests, so far as they fit any particular case, and to make clear in its prospectuses that it has done so.

Bankers Trust Company, HARVEY E. FISK
New York

NEW BOOKS

ALBERTSWORTH, E. F. *Cases on industrial law.* (Chicago: Northwestern Univ. Press. 1928. $7.50.)

ALFORD, L. P. *Laws of management applied to manufacturing.* (New York: Ronald. 1928. Pp. vi, 266. $4.)

BARTLETT, J. T. and REED, C. M. *Retail credit practice.* (New York: Harper. 1928. Pp. xi, 377. $4.)

A large amount of material is assembled in regard to terms of credit, risk analysis, collections, and losses. The student of economic development will receive a vivid impression of the part which credit plays in distribution of goods.

BASSET, W. R. *How to solve typical business problems.* (New York: B. C. Forbes Pub. Co. 1928. Pp. 232. $2.50.)

BLACKETT, O. W. *Measures of business conditions in Michigan.* Michigan business studies, vol. I, no. 7. (Ann Arbor: Univ. of Michigan, School of Business Admin. 1928. Pp. 44. 50c.)

BONTHRON, W. D. *Inventory planning, taking and valuation.* Official pubs., vol. X, no. 7. (New York: National Assoc. of Cost Accountants. 1928. Pp. 413-430. 75c.)

BOWLEY, A. L. *Official statistics: what they contain and how to use them.* 2nd ed. World of today, vol. XV. (New York: Oxford. 1928. Pp. 72. 85c.)

CAHILL, M. H. and PUTNAM, J. F. *Bank credit and budgetary control.* Official pubs., vol. X, no. 8. (New York: National Assoc. of Cost Accountants. 1928. Pp. 475-485. 75c.)

CAPRARA, U. *Il commercio del grano.* Vol. I. *I mercati esportatori.* (Milan: Instituto Ed. Scientifico. 1928. Pp. xvi, 439. L.90.)

This volume is one of a series of publications issued by the Institute of Research on business methods. In particular it treats of the organization of the grain trade in exporting countries, especially in the United States and Canada. An account is given of marketing rules and customs and also a description of wheat pools. RICCARDO BACHI

CARVER, A. H. *Personnel and labor problems in the packing industry.* Institute of Meat Packing studies. (Chicago: Univ. of Chicago Press. 1928. Pp. 235. $3.)

CASSEL, G. and others. *Foreign investments: lectures on the Harris Foundation, 1928.* (Chicago: Univ. of Chicago Press. 1928. Pp. 240. $3.)

CHATTERS, C. H. *The enforcement of real estate tax liens.* Pub. no. 10. (New York: Municipal Administration Service, 261 Broadway. 1928. Pp. 516. 35c.)

CHERINGTON, P. T. *The consumer looks at advertising.* (New York and London: Harper. 1928. Pp. xiv, 196. $2.50.)

An interesting essay on the significance of advertising as a social factor in raising the standard of living. The author is director of research of the J. Walter Thompson Company. The ideal for advertising is "the enlightenment of the consumer about both the intrinsic and extrinsic properties of goods in use."

CROSS, M. C. *Types of business enterprise: structure and control.* (New York: Prentice-Hall. 1928. Pp. 338. $5.)

DARBY, W. D. *The story of the chain store.* (New York: Textile Publishing Co. Pp. 159. $2.)

DAVIS, R. G. *Perpetual piece control as applied to the merchandising of men's clothing.* Special bull. (Columbus: Ohio State Univ., Bureau of Business Research. 1928. Pp. vii, 92, xxxii. 50c.)

DENNISON, H. S. *Sales cost accounting.* Official pubs., vol. X, no. 5. (New York: National Association of Cost Accountants. 1928. Pp. 241-249. 75c.)

DILLAVOU, E. R. and HOWARD, C. G. *Principles of business law.* (New York: Prentice-Hall. 1928. Pp. xxviii, 781. $4.)

The text is supplemented with case material. The subjects covered are contracts, including special types, agency, negotiable instruments, business organizations, personal property, and real property.

DUVEL, J. W. T. and HOFFMAN, G. W. *Major transactions in the 1926 December wheat future.* Technical bull. no. 79. (Washington: Supt. Docs. 1928. Pp. 52. 10c.)

FOWLER, J. F., JR. *American investment trusts.* (New York: Harper. 1928. Pp. xviii, 415. $5.)

The author is an officer of an investment trust and thus is able to discuss the subject on the basis of practical experience. The different kinds of investment trusts are described, and their management and restrictions explained. Among other topics are accounting procedure, promotion policies and taxation. In the appendix is an 8-page directory, showing year of organization. There are also specimen charters, indentures, and reports. An up-to-date bibliography is added.

GREENE, J. H. *Organized training in business.* (New York: Harper. 1928. Pp. 349. $4.)

GREGORY, H. E. *Accounting reports in business management: use of financial and operating statements, together with a system of standards and performance records in maintaining efficient management and control.* (New York: Ronald. 1928. Pp. xi, 445. $5.)

GRIMES, J. A. and CRAIGUE, W. H. *Principles of valuation.* (New York: Prentice-Hall. 1928. Pp. xvii, 274. $10.)

The purpose of this book, written by two of the valuation engineers of the Treasury Department, is stated as follows: "The development and comparison of the several mathematical principles which are adapted to the valuation of future income, and a discussion of these principles with respect to their applicability or inapplicability to commercial usage. Threefold treatment has been chosen: the statement of premises, the

conversion of these premises into algebraic formulas, and the arithmetical illustrations of the use of such formulas. The only individual factors of valuation which will be discussed are those common to all types of valuation, such as the future rate of interest and the treatment of the future capital expenditures necessary to the realization of the anticipated income."

of the corporation "up to the point when expansion begins."

Meeker, J. E. *Distribution of securities through the stock market.* Reprinted from *New York Evening Post.* (New York: Author, N. Y. Stock Exchange. 1928. Pp. 31.)

Monchow, H. C. *The use of deed restrictions in subdivision development.* Research monograph no. 1. (Chicago: Institute for Research in Land Econ. and Pub. Utilities, 337 E. Chicago Ave. 1928. Pp. iii, 84. $1.50.)

Muller, H. M. *Installment buying.* The Reference Shelf, vol. V, no. 8. (New York: Wilson. 1928. Pp. 120. 90c.)

Contains bibliographies with references and excerpts, favorable and adverse. Serviceable in connection with current discussion.

Robinson, W. G. *A cost system for shop and foundry.* Official pubs. vol. X, no. 9. (New York: National Association of Cost Accountants. 1929. Pp. 565-579. 75c.)

Rose, A. A. *New technique in selling and administrative cost accounting.* Official pubs. vol. X, no. 3. (New York: National Association of Cost Accountants. 1928. Pp. 107-124. 75c.)

Schmalz, C. N. *Standards of departmental performance in department stores, 1927.* Mich. business studies, vol I, no. 8. (Ann Arbor: Univ.

47. $1.50.)

Operating results of retail jewelry stores for 1927. Bull. no. 76. (Boston: Harvard Univ., Bureau of Business Research. 1928. Pp. v, 22. $1.50.)

Proceedings of the tenth annual meeting of the American Association of Collegiate Schools of Business, Chicago, Illinois, May 3, 4 and 5, 1928. (New York: Ronald. 1928. Pp. 63.)

Use and occupancy insurance. Official pubs., vol. X, no. 6. (New York: National Association of Cost Accountants. 1928. Pp. 293-319. 75c.)

The use of research in sales management. No. 5 of a series of reports on applying research to sales. (New York: Metropolitan Life Insurance Co., Policyholders Service Bureau. 1928. Pp. 23.)

What is the matter with Canada? (London: Arthur H. Stockwell. 1928. Pp. 96.)

An argument for more extensive government intervention in business.

conversion of these premises into algebraic formulas, and the arithmetical illustrations of the use of such formulas. The only individual factors of valuation which will be discussed are those common to all types of valuation, such as the future rate of interest and the treatment of the future capital expenditures necessary to the realization of the anticipated income."

The treatment correlates and compares the various methods of valuation required by the federal and state income tax laws. The book shows exactly what acceptable method can be used to value income of lands, natural resources, capital goods, franchises, patents, and good-will. It deals with the problem of figuring future income when the valuation decreases or increases by regular amounts, percentages and incomes. The authors present four methods used in establishing sinking funds. They illustrate how to determine the "discount for hazard" or safety factor on future incomes which are subject to exceedingly high speculation.

HARRIMAN, N. F. *Standards and standardization.* (New York: McGraw-Hill. 1928. Pp. 265. $3.)

HUNTINGTON, C. W. *Enclaves of economic rent for the year 1927.* Being a compendium of the legal documents involved. (Harvard, Mass.: Fiske Warren. 1928. Pp. x, 291. $4.)

LA ROSE, E. S. *Keys to internal control of costs.* Official pubs., vol. X, no. 4. (New York: National Association of Cost Accountants. 1928. Pp. 165-185. 75c.)

LEWIS, N. *Samples, demonstrations and packaging: their use in advertising.* (New York: Ronald. 1928. Pp. 257. $4.50.)

LOMAX, P. S. *Commercial teaching problems.* (New York: Prentice-Hall. 1928. Pp. 200. $1.25.)

LOWRIE, J. A. *Analysis of revenues and expenses of Ohio daily newspapers, year 1925.* Monograph no. 11. (Columbus: Ohio State Univ., Bureau of Business Research. 1928. Pp. 48. 50c.)

MCKAY, A. W. and LANE, C. H. *Practical coöperative marketing.* (New York: Wiley. 1928. Pp. xvii, 512. $3.)

MEAD, E. S. *Corporation finance.* 6th ed., vol. I. (New York: Appleton. 1928. Pp. xv, 358. $3.)

Originally published in 1909, this well-known book has now reached its sixth edition. Owing to the new matter added in successive revisions, this edition appears in two volumes. Volume I deals with the normal activities of the corporation "up to the point when expansion begins."

MEEKER, J. E. *Distribution of securities through the stock market.* Reprinted from *New York Evening Post.* (New York: Author, N. Y. Stock Exchange. 1928. Pp. 31.)

MONCHOW, H. C. *The use of deed restrictions in subdivision development.* Research monograph no. 1. (Chicago: Institute for Research in Land Econ. and Pub. Utilities, 337 E. Chicago Ave. 1928. Pp. iii, 84. $1.50.)

MULLER, H. M. *Installment buying.* The Reference Shelf, vol. V, no. 8. (New York: Wilson. 1928. Pp. 120. 90c.)

Contains bibliographies with references and excerpts, favorable and adverse. Serviceable in connection with current discussion.

ROBINSON, W. G. *A cost system for shop and foundry.* Official pubs. vol. X, no. 9. (New York: National Association of Cost Accountants. 1929. Pp. 565-579. 75c.)

Rose, A. A. *New technique in selling and administrative cost accounting.* Official pubs. vol. X, no. 3. (New York: National Association of Cost Accountants. 1928. Pp. 107-124. 75c.)

Schmalz, C. N. *Standards of departmental performance in department stores, 1927.* Mich. business studies, vol I, no. 8. (Ann Arbor: Univ. of Michigan, School of Business Admin. 1928. Pp. 26. 50c.)

Seidemann, H. P. *Manual of accounting, reporting and business procedure for the territorial government of Hawaii.* Institute for Govt. Research, studies in admin. (Baltimore: Johns Hopkins Press. 1928. Pp. xxviii, 570. $5.)

Shattuck, M. A. *Living insurance trusts.* (Boston: Financial Pub. Co. 1928. Pp. 152. $2.50.)

Sibley, F. W. *The new way to net profits.* (New York: Harper. 1928. Pp. xxi, 213. $3.)

Shively, H. H. *The nature of unfair methods of competition in the retail field.* Ohio State University studies, Bureau of Business Research Monographs, no. 10. (Columbus: Ohio State Univ. Press. 1928. Pp. vii, 110. 50c.)

The three several parts deal with regulation of competition in retailing, unfair methods of competition in retail advertising and selling, and interference with competitors. "The cases were collected mainly from the records of the Better Business Bureaus in Ohio through the coöperation of the local managers in Columbus, Cleveland, Toledo, Akron, Canton, Dayton, and Cincinnati."

Streightoff, F. H. *Elementary accounting.* (New York: Harper. 1928. Pp. xi, 501. $3.50.)

Wyman, W. F. *Export merchandising.* (New York: McGraw-Hill. 1928. Pp. 405. $4.)

Commercial arbitration under Swiss law, Brochure no. 61. *Commercial arbitration under Italian law,* Brochure no. 62. *Commercial arbitration under Dutch law,* by W. L. P. A. Molengraaff, Brochure no. 63. *Commercial arbitration under French law,* by J. Duchenois, Brochure no. 65. (Paris: International Chamber of Commerce, 38 Cours Albert-Ier. 1928. Pp. 20; 20; 16; 21.)

Operating expenses of building material dealers in 1927. Bull. no. 75. (Boston: Harvard Univ., Bureau of Business Research. 1928. Pp. vi, 47. $1.50.)

Operating results of retail jewelry stores for 1927. Bull. no. 76. (Boston: Harvard Univ., Bureau of Business Research. 1928. Pp. v, 22. $1.50.)

Proceedings of the tenth annual meeting of the American Association of Collegiate Schools of Business, Chicago, Illinois, May 3, 4 and 5, 1928. (New York: Ronald. 1928. Pp. 63.)

Use and occupancy insurance. Official pubs., vol. X, no. 6. (New York: National Association of Cost Accountants. 1928. Pp. 293-319. 75c.)

The use of research in sales management. No. 5 of a series of reports on applying research to sales. (New York: Metropolitan Life Insurance Co., Policyholders Service Bureau. 1928. Pp. 23.)

What is the matter with Canada? (London: Arthur H. Stockwell. 1928. Pp. 96.)

An argument for more extensive government intervention in business.

Capital and Capitalistic Organization

Trade Associations: The Legal Aspects. By BENJAMIN S. KIRSH. (New York: Central Book Co. 1928. Pp. 271. $5.00.)

It is unfortunate that the literature upon trade associations, and Mr. Kirsh's volume is in this respect no exception, has so far been based almost entirely upon two classes of material. These are: (1) the description of the organization and functioning of challenged associations in court reports; (2) the abstract (and pre-conceived) ideas of writers who attempt to survey and analyze this movement. Yet in the present state of affairs the procedure could not well be otherwise. Where is one to go for information about these organizations, and discover how they work? They make either no public reports or only such fragmentary and self-censored ones as they choose. They are not periodically accountable to any public authority.

The volume under review contains nothing new about the nature or status of trade associations. It surveys a selected group of problems which have arisen in the practical administration of business confederacies. These problems are without exception those in which trade associations have become entangled on account of the restrictions of the anti-trust laws. The book is divided into eleven chapters, of which the first is a general summary and the remaining ten are devoted to particular phases of association activity which have come under judicial or administrative scrutiny. These ten chapters relate respectively to statistics, cost accounting, credit interchange, patents, foreign trade promotion, basing point policy, joint-purchasing, standardization, and trade boycotts. No logical order appears in the arrangement of the chapters. The first six chapters have previously appeared in various periodicals; and the remaining five are here published for the first time.

This book clearly exemplifies the pitfalls awaiting the lawyer who attempts to discuss business problems and business practices with which his technical training has afforded him little familiarity. Many citations might be given in confirmation of this statement, particularly in connection with the discussion of cost accounting activities and of the adoption of uniform basing points for price quotations. It will be enough to call attention to the cavalier manner in which the significance and value of governmental trade reporting services are disposed of. On page 52 it is stated simply that: "It can be readily appreciated that the government is ill equipped, either by adequate appropriation or flexibility of administration, to render to every private industrial enterprise, satisfactory or comprehensive service." No account is taken of the pioneering and educational work of the Depart-

ment of Commerce and the Federal Reserve Board in establishing and developing, respectively, the *Survey of Current Business* and the *Federal Reserve Bulletin*. It does not seem to be realized that if "comprehensive service" is the criterion there is not, either today or in prospect, any agency providing current business statistics at all comparable in scope or reliability with these official sources. But the most signal shortcoming exhibited in this passage is the treatment of governmental and private, coöperative trade reporting as mutually exclusive alternatives, instead of as complementary services, as in fact they are.

The discussion of patent interchange or cross-licensing agreements is especially unsatisfactory and in some respects misleading. Four pages (131-135) are devoted to the Bement case, decided more than a quarter of a century ago, and only eighteen lines (page 138) to the currently far more significant Motion Picture Patents case. But this is not all. Despite the elaborate treatment of the Bement case there is no intimation of what were the essential features of the license agreements upon which the case was founded. It is not surprising, therefore, that the conclusion drawn from the case (page 134) should be wholly unwarranted. It is stated, "We see here, therefore, the beginnings of the broad doctrine that agreements between patentees, reasonably necessary to protect them in the enjoyment of their rights (whatever that may mean!), are not in conflict with the anti-trust laws." Yet the decision of the Supreme Court (notwithstanding whatever may have been added as *obiter dicta* in the opinion) was expressly rested upon the absence of proof of the existence of any other agreements than the one between a single patentee and his licensee, the plaintiff and defendant, respectively, in this action. (186 U. S. 70, 92, 1902.)

The chapter entitled "Restricting the channels of distribution," and treating of trade boycotts, illustrates well another defect of the book. It seems to have been considered sufficient to let excerpts from judicial opinions stand in the place of independent analysis (see *e.g.*, pages 249-255; also, pages 197-207). No doubt this attitude and the resulting method spring in part from the traditional deference of lawyers for whatever passes the lips of judges. Their words are regarded as "authoritative." Perhaps they are, in one sense. But it does not follow that they are always illuminating.

One cannot be certain, however, that this last defect is in the present instance wholly regrettable. Consider, for example, the following paragraph from the text in the summary chapter (page 19): "Utility, efficiency, and serviceability must needs become relevant measures of effectiveness, and thus of the legal validity, of policies and activities under consideration. From this point of view, the possibility that activities may be abused to the point of excesses in violation of

law, does not call for an absolute bar against their employment, but merely invokes the necessity for restricting the practices within legal boundaries." All of which seems, if one could only be certain that there is some meaning beneath the verbiage, to lead precisely nowhere.

It should be added that the book is replete with footnotes and citations, reference being made in some way or other to practically everything that has been written or said about trade associations. On this account, the volume should prove a convenient reference work for business executives and lawyers who have real problems to solve in making trade coöperation an effective and fruitful arm of business administration. If the digestive function had only kept pace with the foraging instinct, however, this might have been a better book.

New York University MYRON W. WATKINS

NEW BOOKS

RUSSELL, S. *The futility of the Sherman act against trusts and monopolies.* (Washington: Author, 1815 Lamont St. 1928. Pp. 64.)

VERSHOFEN, P. W. *Die Marktverbände.* Teil I. (Nürnberg: Hochschulbuchhandlung Krische & Co. 1928. Pp. vii, 180. M.10.50.)

The first volume of an elaborate criticism of the regulation of prices by cartels, combines and by public authorities.

Labor and Labor Organizations

A Theory of the Labor Movement. By SELIG PERLMAN. (New York: Macmillan. 1928. Pp. xii, 321.)

The major portion of this volume is devoted to a survey of the development of the labor movements of Great Britain, Russia, Germany, and America. Then certain aspects of the author's theory are discussed under the following chapter headings: "Economic opportunity and group psychology;" "The working rules and philosophy of organic labor;" and "The intellectuals' programs for labor." The concluding chapter on "An advanced trade union philosophy" is in the main an analysis of Karl Zwing's ideas.

Professor Perlman's personal approach to a theory of the labor movement is interesting and significant. Born and educated in Russia, he professed the Marxian faith "like most of his college generation." Transferring himself to the American environment he joined the research staff of Professor John R. Commons, and in the course of researches in the field of American trade unions he discovered a reversal of the Marxian order. He found that the non-socialistic American Federation of Labor had emerged from socialistic class-conscious unions whose leaders had fallen away from their original faith with great

reluctance. This discovery was based in part on an examination of the "working rules" of labor's own "institutions." These rules reveal the things which monopolize the attention of labor. Pursuing this method, Professor Perlman was impelled to believe that "working people in the real felt an urge towards collective control of their employment opportunities but hardly toward similar control of industry." Of course this might have been a purely American phenommenon; but when during the World War he found the German labor movement espousing the national cause with the trade unions unexpectedly "calling the tune of the Social-Democratic piper," it occurred to him that there was a natural divergence in labor ideology between the "mentality" of the trade unions and that of the intellectuals and that "given the opportunity to exist legally and to develop a leadership from among its own ranks, the trade union's mentality will eventually come to dominate." Finally, he was impressed by the weakness of the ruling classes of Russia and the ease with which the Bolshevists seized power in contrast with the strength of German capitalists in 1918-1920 and of British capitalists in 1926, and concluded that the resistance power of capitalism was a product of each country's own particular history determined in part by the possession of a genuine will to power by the class of big property owners and the attitude of the peasantry toward private property.

Professor Perlman finds three dominant factors in any modern labor situation. First is the resistance power of capitalism and its ability to withstand revolutionary attack. Second is the rôle of the so-called intellectual in the labor movement and in society at large. From this source have emanated the anti-capitalistic influences which have impressed upon the labor movement concepts of "nationalization," "socialization" and political action. The third factor is the trade union movement. Professor Perlman is convinced from his researches that trade unionism "struggles constantly not only against employers for an enlarged opportunity measured in income, security and liberty in the shop and industry, but struggles also whether consciously or unconsciously, actively or merely passively, against the intellectual who would frame its programs and shape its policies." In this struggle by organic labor against dominance by the intellectuals is perceived a clash of an ideology which envisages workingmen in the concrete with an ideology which regards labor as an "abstract mass in the grip of an abstract force."

According to Professor Perlman's contention, manual groups have had their economic attitudes basically determined by a consciousness of scarcity of opportunity, which is characteristic of these groups, and is in contrast with the business man's consciousness of unlimited op-

portunity. This scarcity consciousness of the manual worker is the product of two causes. "The *typical* (italics mine) manualist is aware of his lack of native capacity for availing himself of economic opportunities." He knows that he is not a born risk taker and that he would not feel at home in competitive business. He is convinced also that "for him the world has been rendered one of scarcity by an institutional order of things which purposely reserved the best opportunities for landlords, capitalists and other privileged groups." Or he may ascribe such scarcity to natural causes. This belief in scarcity of opportunity has led the manual group to practice solidarity and to insist on collective ownership of the whole existing opportunity, rationing it out to its members on the basis of common rule. By this means the individual is prevented from appropriating more than his rightful share. At the same time he is protected against oppressive bargains.

This "communism of opportunity" differs fundamentally from socialism or communism which would communize not only opportunity but also production and distribution. It is also far removed from capitalism which starts from the premise of unlimited opportunity and arrives at laissez-faire for the individual. Professor Perlman finds communism of opportunity at the basis of the mediaeval guilds, the Russian peasant land communists and the trade unions of today.

The American labor movement did not become stabilized until the abundance consciousness of the early days was replaced by a consciousness of job scarcity. "Only then did the American wage earner become willing to envisage a future in which his union would go on indefinitely controlling his relationship to his job rather than endeavoring to afford him . . . . an escape into free and unregulated self employment. . . . ." In America, labor struggles for an undivided expression of its own mentality; in Europe, the antithesis to the labor mentality has been the mentality of the intellectual.

All intellectuals have reduced labor to a mere abstraction, although each in his own way, and have pictured labor as an abstract mass in the grip of an abstract force. This, however, is but the intellectual's own imagination. By "intellectual" Professor Perlman means the educated non-manualist who has established a contact with the labor movement, either through influence acquired over trade-union bodies or as a leader of labor in his own right as Lassalle was in Germany and as the leading communists are in Russia today. Most intellectuals, it may be observed, have belonged to the middle classes and the aristocracy. That the intellectual's mentality differs from the mentality of labor appears from the repeated refusals of labor to seek its destiny, as envisaged by intellectuals, or to advance materially in that direction even when opportunity appears to beckon.

Intellectuals are put into three groups according to their conception of the nature of the "force" which grips labor as a "mass." The Marxian who is a determinist-revolutionary conceives it as the ever growing force of material production seeking to break through the bonds of capitalism. To the "ethical" intellectual the "force" that "grips" the labor mass is the force of labor's own awakened ethical perception seeking self-realization by escaping from wagery to freedom. Anarchists, Christian Socialists and Guild Socialists are types of the ethical intellectual. The efficiency intellectual is best typified by the Fabians. He sees society advancing from disorganization to order by the progressive elimination of waste. Labor is propelled by its own interest toward an economic order yielding a maximum technical and social efficiency. Each of these groups of intellectuals has its conception of the individual workingman determined by its own philosophy of labor as a mass in the grip of a force. Thus to the intellectual the workingman is quite different from the individual whom employers and union leaders have come to know.

It is this refusal of the intellectuals, or their inability, to recognize labor's fundamental psychology that Professor Perlman criticizes most. They are outsiders not knowing what makes the wheels of industry go round. They have made their contributions to the labor movement, particularly the revolutionary intellectual. "Only in English-speaking countries did the labor movement show the capacity to arise without his (the revolutionary intellectual's) leadership." But they have been blinded by their conception of a cause and have been unable to see realities. Only in Germany where the trade unions have developed their own intellectuals do they appear in what Professor Perlman regards as their proper relation to the trade union movement.

In Germany, Professor Perlman finds that trade unionism is now stressing the worth of the personality of every worker. According to Karl Zwing, whom Professor Perlman accepts as the "best exponent of this ideology," Germany need not expect a purely socialistic society even as far in the future as they now can see. He recognizes the strength and vigor of capitalism and deplores the subordination of the trade unions to the Social-Democratic party. He believes in the principle of parity between capital and labor in industry and foresees a stage when the national economy will be ruled by the principle of group coöperation. Then, it may well be "an open question whether there remains any point in struggling for a change in the property owning relations and for the elimination of the entrepreneurial class." To Zwing, the emphasis in British and American unionism on shop rules marks the right approach to job control and through control to recognition of the union and parity of the classes.

But is Zwing's unionism the "new unionism" we hear so much talked about? Professor Perlman thinks that it is neither new nor old but just unionism. "Unionism and the striving for shop control are identical." Does the control in question merely bind the employer, or does it seek to gain greater and greater responsibility for the running of industry? Professor Perlman thinks this a matter of indifference to practical unionism which sees assurance for the future in a continued and broadened coöperation with the functional group of manager-employers. The likelihood of such coöperation developing in unionism will depend on the measure that its position in industry approaches a securely rooted "institutionalization." An institutionalized unionism will continue its shop and job control but will depart more and more from the older and cruder methods of sheer restrictiveness because it "cannot fail to see that after a certain point has been reached higher labor standards can come only from a higher efficiency." Some few American unions have gone far in this direction Professor Perlman thinks and he ventures the question whether the leaders of these unions, initiators of "union-management" coöperation, may not be today in the identical stage of development towards an all-American labor leadership in which Gompers was when he was applying the economics of the First International to the problems of the cigar makers' union.

One danger Professor Perlman suggests in traversing this new route to industrial democracy is that, robbed of its former towering and shining terminal (erected in the intellectual's imagination), the labor movement might fail to preserve its original spiritual drive. Here the intellectual, even though emasculated in contrast with the older type, might find a place. Professor Perlman would emphasize, however, that the goal of industrial development had better be set by "organic" labor who know industry from within, know what makes the wheels turn round and also are cognizant of labor's limitations in the field of management.

It may be questioned, in what degree the *typical* manual worker is motivated by a consciousness of job scarcity and in what degree he may be inclined to do as he is told. There is a wide gap between the rank and file and union leaders, almost as wide as between workers and capitalists. Is the typical manual worker an eternal pessimist in respect of his capacity to avail himself of economic opportunities or is that a frame of mind attributed to him? What is it that makes a man an eternal optimist, conscious of unlimited opportunity, a born taker of risks with an effective will to power—a capitalist in short? Some of these terms appear almost as abstractions. At points the theory savors of predestination, of fatalism, and of pessimism or optimism depending on one's outlook and the class to which one belongs. There are to be

"hewers of wood and drawers of water," but this is not necessarily bad if they can control the jobs and be made to feel the importance of hewing wood and drawing water. It may be that Professor Perlman has over-emphasized the significance of working rules as a democratic expression of labor's consciousness and has paid too little attention to the possibility of a hierarchy of union leadership with an effective will to power.

As for the intellectual's place in the sun, one might suspect Professor Perlman's earlier convictions to be responsible for excessive emphasis in the face of rather sharp criticism not alone of their philosophies but of their influence as well. The accepted intellectual need not be an "outsider" unless, of course, as a matter of definition, when one escapes his consciousness of scarcity and inferiority complex he should no longer be counted in the labor movement. For that matter, as the author would admit, the advisers and economic experts from among the intellectuals may have a large understanding of and a large part in the shaping of trade union policy. Professor Perlman's analysis is not only interesting but challenging.

Chicago, Illinois B. M. SQUIRES

The Bunkhouse Man: A Study of Work and Pay in the Camps of Canada, 1903-1914. By EDMUND W. BRADWIN. (New York: Columbia University Press. 1928. Pp. 306. $5.00.)

This is a fascinating account, drawn from the author's first-hand experiences as a manual laborer and educational leader among the men who toiled in the construction of the government railways of Canada—particularly the National Transcontinental—in the period indicated. The study centers largely in the isolated camps and bunkhouses situated in the wilderness and concerned with grading and tresslework, miles in advance of the steel. Its subject matter transcends the field of economics, reaching over into the realms of housing study, racial analysis and educational policy, and one chapter depicts the historical outlines of the development of transportation in Canada. Although painting his picture in retrospect, the author asserts that, while some abuses have been remedied, the portrait in the main still stands for both Canada and the United States, and his object is "to chart more clearly certain shoals that under any circumstances imperil the hire of men on isolated work."

For purposes of this review the important feature of the book is the description and vigorous indictment of the contract system and its operation, for it is here that the blame is laid for the injustice and exploitation that is pictured throughout. It was this faulty system, assisted by private employment agencies, and playing on the helpless

ranks of ignorant and patient foreign workers, that allowed private contractors to misuse the adequate government appropriations and set at naught the "fair wage" laws designed to protect workers on government contracts. The monopoly power exercised by a head contractor, once he has bargained with the government for the construction of a section of the line, is complete. And the further operation of the system through sub-contracting and beyond this to the letting of "stations" to small groups of workmen, results in a train of evils amounting to a veritable sweated industry. To this is added the control by the contractors of all supplies and even of egress back to civilization. Uncontrolled deductions from wages, together with unchecked profits to contractors and sub-contractors on supplies, whittle away the apparently generous wage to a mere pittance the proportions of which the Dominion Department of Labor and Canadian public opinion are little aware.

Constructively, the author recommends (1) putting the head contractors on a percentage basis, basing their profits on the actual outlay, (2) replacing entirely the sub-contractors by the government salaried engineers, who would represent the interests of the workers in preventing exactions in bargaining and in achieving for them decent living conditions.

Students of immigration and social problems will find valuable concrete description of the different nationals on the job, of living conditions in company bunkhouses, and of unrest and vagrancy traced to their breeding ground.

From the standpoint of material presented this is a significant book. It may be criticized for lack of that detachment generally held to be necessary for scientific productions. Its manner is ever warm and at times even indignant, yet system rather than personality is held at fault, and all radicalism is assumed in error. Occasionally the language slips over into unpardonable patriotic exhortation. Opinion is set forth boldly and without stint, yet for the most part it is mature opinion based on years of observation. The style is distinctly literary and free, and the paragraphs ornamented—though the thought is rarely strengthened—with a wealth of similes drawn from classical history and mythology. Frequent illustrations add to the book's attractiveness.

Randolph-Macon Woman's College H. A. Logan

Wage Rates, Earnings and Fluctuation of Employment: Ohio 1914-26. (Toledo: Information Bureau on Women's Work. 1928. Pp. 140. $1.00.)

Miss Amy Maher and the Information Bureau on Women's Work are to be congratulated on this most interesting study which makes available the vast amount of material on wages and employment which has been collected by the Ohio Division of Labor Statistics but which has not previously been published save for the years 1914, 1915 and 1923. The inclusiveness of the data is indicated by the fact that in 1926 statistics were collected from establishments employing 1,178,000 wage-earners, 154,000 clerical workers and 78,000 salespeople. Miss Maher has not only computed the wage-rates, annual earnings and monthly fluctuations in employment of these three classes, but has also sub-divided each group into men and women. She has in consequence made a notable addition to the study of American economic conditions.

She finds that the field in which the proportion of women employed has increased most is that of clerical work where women formed 50 per cent of the working force in 1926 as compared with 39 per cent in 1914. In the wage-earning group, on the other hand, the proportion of women only increased from 14.1 to 15.5 per cent; while among the sales force the relative proportion of women actually diminished.

The median weekly wage-rates of the male wage-earners are shown to have risen from $14.26 in 1914 to $30.57 in 1926 and female wage-earners from $7.53 to $16.13. These amounted for both groups to increases of 114 per cent. The increases for the male clerical workers were from $17.47 to $37.63 and for females from $10.52 to $22.09, which were advances of 115 and 110 per cent respectively. Finally, the median weekly rate for salesmen rose from $17.00 in 1914 to $32.92 in 1926, or a rise of 94 per cent, the advance for women was from $7.64 to $15.48, or a gain of 103 per cent. Dividing these increases in the median money rates by the Bureau of Labor Statistics index of living costs, Miss Maher computes that the real weekly wage-rates of male wage-earners increased by 26 per cent during this period, of male clerks by 27 per cent and of salesmen by 14 per cent. The real rates for female wage-earners also rose by 26 per cent, of clerks by 23.5 per cent and of saleswomen by 19 per cent. Taking men and women as a whole, the increase averaged 26 per cent for each.

The average annual earnings unfortunately cannot be shown for each sex separately but the advance for all wage-earners was from $531 in 1915 to $1,155 in 1926, for clerical workers of both sexes from $759 to $1,500 and for salespeople from $593 to $1,248. These were gains of 118, 98, and 110 per cent in money earnings and of 31, 19, and 26 per cent respectively in real earnings.

It may be said in general that Miss Maher's results for Ohio are strikingly similar, with the exception of clerical workers, to those which I have secured in my study of real wages for the country as a whole.

Miss Maher's index for clerical workers is, however, appreciably higher than that which I have computed.

Miss Maher finds that the median wage-rate of the women wage-earners is 53 per cent of that of the men, while in the case of clerks it is 59 per cent, and in the salesforce 47 per cent. The combined average rate is 56 per cent of the median men's rate. The ratio of the arithmetic average of the women's rates to that of the men would undoubtedly have been somewhat lower than this, since the women have a smaller percentage of highly paid workers.

A very valuable monthly index of employment is also computed for men and women in each of these three main branches of employment together with combined averages. This should be a most welcome addition to the statistics of employment which are now available. Miss Maher points out that during the depression of 1920-21, the employment index for men declined by more than that for women. This may have been due to the desire of employers to economize by retaining a large portion of lower paid workers or to a greater cyclical drop in employment in those heavy industries which predominantly employ men. The latter would seem to be most certainly true; but further investigation is needed to determine whether or not the former is also the case.

University of Chicago PAUL H. DOUGLAS

The Works Council: A German Experiment in Industrial Democracy. By C. W. GUILLEBAUD. (Cambridge, England: Cambridge University Press. New York: Macmillan. 1928. Pp. viii, 305.)

The German Works Councils act of February 4, 1920, provided that works councils be elected by the salaried and wage earners in all establishments employing twenty or more persons. Among the duties assigned to these councils by the act were the following: to coöperate with employers in an advisory capacity with respect to the increase of efficiency; to promote industrial peace and adjust grievances; to supervise the execution of awards affecting employees and to agree to working rules; to promote safety and good health in the workshops; and to help in the administration of welfare schemes.

Coming into existence during the period of the greatest post-war unrest, the works councils have had a history seriously affected by the abnormal social, political, and economic conditions of post-war Germany. During the first two years the existence of the councils was constantly threatened by the activities of the communists, who attempted by means of them to build up a movement in opposition to the trade unions. By 1922, however, trade union control was assured,

and from then until the beginning of the great inflation boom in January, 1923, the councils functioned well. During the period of inflation the only important purpose they served was to facilitate the wage adjustments required by the rapidly increasing price level. The stabilization of the currency in November, 1923, brought about deflation, accompanied by serious unemployment. The employers found themselves for the first time in years possessed of a great balance of power against the trade unions, which suffered loss of members on "a gigantic scale." Since by this time the strength of the councils was closely connected with that of the unions, large numbers of the former went out of existence. In 1925 the unions had recovered much of their effectiveness. The works councils were by the end of that year functioning well in the larger industrial undertakings. Their number, however, had still further declined in the smaller industrial plants, and they had almost disappeared in ordinary commercial establishments. This condition was characteristic also of 1926, with which year the present study comes to a close.

Collective agreements in Germany are made with the trade unions. Consequently the function of the councils has been to enforce, rather than make, trade agreements. Probably the most important service which the councils have rendered the workers has been in protecting them against unjust dismissals from employment. The system of conciliation boards and labor courts to which each side may appeal has added greatly to the effectiveness of the works councils and the protection they have given the workers. The relative bargaining power of workers and employers has been very important in determining whether the councils would function well. Though employers as a class have not been hostile to them as such, many individual employers have been, and the ease with which such employers have imposed obstacles to the functioning of the councils has clearly shown how useful strong trade unionism has been to them. It has been evident also that the extent of coöperation between councils and employers depends to a great extent on the personality of the leaders on each side.

Employees have shown very slight interest in industrial efficiency. The elected councillors have found themselves in the difficult position of being attacked for their timidity by their impatient constituents and of incurring the antagonism of the employers if they become too aggressive. Furthermore, it is clear that workers at present lack the education and knowledge which would be necessary for councillors capable of carrying out all the duties set up in the act. Significant of the shortcomings of the system and consequently of its failure to attract the active interest of the wage earners, is the fact that many groups of workers have, since 1922, failed to take the initiative neces-

sary to set up works councils in accordance with the provisions of the act. The works councils system has come very far short of justifying the enthusiastic expectation of many of its early advocates that it would give the workers a large new share in control over the management of industry.

Mr. Guillebaud's book is a good piece of work, being comprehensive and well written. The author is an acute observer, and his discussion of the German arrangements suggests many interesting parallels and contrasts with our own labor scene.

The volume has nine appendices, including among them most of the pertinent legislation. There is also a bibliography and an index.

University of Illinois EDWARD BERMAN

NEW BOOKS

CIOFFI, A. *Organizzazione sindacale e rapporti collettivi di lavoro nella legislazione italiana.* (Milan: U. Hoepli. 1927. Pp. xxix, 622. L.45.)

COSTAMAGNA, C. *Manuale di diritto corporativo italiano. Fonti e motivi della legislazione sulla disciplina giuridica dei rapporti collettivi del lavoro.* (Turin: Unione Tip. Ed. 1927. Pp. xx, 585. L.50.)

DEWHURST, J. F. *Employment fluctuations in Pennsylvania, 1921 to 1927.* A thesis. (Philadelphia: Univ. of Pennsylvania. 1928. Pp. ix, 192.)

A doctoral thesis, originating in a study made for the Federal Reserve Bank of Philadelphia. Data were collected by the Federal Reserve Bank and the Department of Labor and Industry of Pennsylvania, from 1200 firms. The author explains the method of assembling the data, the statistical methods used, and concludes with an analysis and interpretation. In the appendix are given monthly index numbers for the several industries.

DOBBS, S. P. *The clothing workers of Great Britain.* (London: Routledge. 1928. Pp. xiv, 216. 10s. 6d.)

FINE, N. *Labor and farmer parties in the United States, 1828-1928.* (New York: Rand School of Social Science, 7 E. 15th St. 1928. Pp. 445.)

GIBBONS, C. E. and STANSBURY, C. T. *Child labor in Mississippi.* (New York: National Child Labor Committee, 215 4th Ave. 1928. Pp. 34.)

LEWISOHN, S. A. *Employers' responsibility for industrial peace.* Address delivered at a luncheon of the American Committee of the Geneva Institute of International Relations at the International Club, Geneva, May 1, 1928. (Miami: Miami Copper Co. 1928. Pp. 11.)

MURCHIE, R. W., CARTER, W. H. and DIXON, F. J. *Seasonal unemployment in Manitoba: a report.* (Winnipeg: H. M. Stationery Office. 1928. Pp. 80.)

PERGOLESI, F. *Il contratto d'impiego privato nel diritto positivo italiano.* (Pesa: Biblioteca di Legislazione Amministrativa. 1928. Pp. viii, 216. L.15.)

RAMERI, S. *Gli infortuni del lavoro in agricoltura. Manuale pratico.* (Turin: Tip. Ed. L. Checchini. Pp. 374. L.40.)

SOULE, G. H. *Wage arbitrations selected cases, 1920-1924.* (New York: Macmillan. 1928. Pp. 310. $2.)

Thompson, L. A., compiler. ***Injunctions in labor disputes: select list of recent references.*** (Reprinted from the *Monthly Labor Review*, September, 1928. (Washington: Supt. Docs. 1928. Pp. 201-220.)

Conditions of work and life of journalists. Studies and reports, series L (professional workers), no. 2. (Geneva: International Labour Office. 1928. Pp. 219. 4s.)

Freedom of association. Vol. III. *Germany, former dual monarchy of Austria-Hungary, Austria, Hungary, Czechoslovak Republic, Poland, Baltic States, Denmark, Norway, Sweden, Finland.* Studies and reports, series A (industrial relations), no. 30. (Geneva: International Labour Office. 1928. Pp. xv, 408. 5s.)

Industrial accidents and Ohio's women workers. (Toledo: Information Bureau on Women's Work, 305 Commerce Guardian Bldg. 1928. Pp. 19.)

Proceedings of the forty-fifth annual convention of the Ohio State Federation of Labor. (Columbus: Ohio State Federation of Labor. 1928. Pp. 134.)

Report on an enquiry into working class family budgets in Ahmedabad. (Bombay: H. M. Stationery Office. 1928. Pp. 48, v.)

Report of the twenty-eighth annual conference of the Labour Party, Birmingham, 1928. (London: The Labour Party, Transport House, Smith Square. 1928. Pp. 354. 1s. 5d.)

Money, Prices, Credit, and Banking

The Development of Trust Companies in the United States. By James G. Smith. (New York: Holt. 1928. Pp. xxi, 613. $6.25.)

The title of this book suggests that it is merely a history of trust companies in the United States; but an examination of its contents reveals a broader purpose. The book is divided into three parts: The first of these is descriptive of modern fiduciary functions; Part 2 is historical, and Part 3 is devoted to a treatment of current problems in trust company development.

Owing to the hopeless confusion which in practice attaches to the term "trust company" a first essential is to define a trust company with precision. The author briefly defines a trust company as a "corporate fiduciary" or more fully as a "corporation, created by a sovereign state and empowered thereby to perform specified fiduciary services which it would be lawful for a natural person to perform."

It is thus seen that the author is concerned with the development of trust functions rather than trust companies as separate institutions. National banks which are authorized to perform fiduciary services are accordingly included within the scope of the treatment. Having defined the trust company, the author turns to a classification and description of the fiduciary functions as carried on by a modern trust company. Incidental attention only is given to the banking and

auxiliary services of the trust company or bank as an institution. In Part 1 of the book the reader finds a complete treatment of the functions of a trust company from the practical point of view. In fact, the first eight chapters may be read as a unit by anyone desiring only a knowledge of a trust company's services and its organization and methods.

Part 2 of the book treats of the history of corporate fiduciaries in the United States. The earliest corporation to possess fiduciary powers is found to be the Massachusetts Hospital Life Insurance Company of Boston, chartered in 1818. Its charter granted it powers of sufficient breadth so that the directors assumed trust functions. These powers, granted at first only by implication, were specifically confirmed by the legislature in an amendment of 1823. The Farmers Fire Insurance and Loan Company of New York was chartered in 1822. A few years later its name was changed to the Farmers Loan and Trust Company. It was the first corporation to have trust powers explicitly granted by charter. Consequently it has generally been regarded as the earliest trust company, and the date of its founding has ordinarily been assumed as the beginning of trust company development in the United States.

In the early period, corporate fiduciaries originated as a collateral feature of the insurance business. Occasionally they were associated with corporations engaged in banking or canal building. Of special interest at this time of mushroom growth of investment trusts is the fact that, in some of the earliest trust companies, all of the trust funds were pooled and the company received a fee for the management of the funds as a whole. Thus the investment trust came to America at least one hundred years ago.

The early companies were concerned almost entirely with personal trust services. After 1850 corporate trust services and agency functions began to develop. There is not a case on record where a trust company was named as trustee of a railroad mortgage before 1850; by the turn of the century an individual trustee for a railroad mortgage was almost equally rare. In many early trust companies "trust deposits" were in fact only time deposits upon which a contractual rate of interest was paid. The modern form of personal trusteeship developed in the years after 1850. The right to receive real estate in trust was not granted, for instance, to the pioneer institution—the Farmers Loan and Trust Company—until 1875.

By 1900 most of the essential features of the modern trust service had developed. Meantime the trust companies had been divorced from the insurance business to a large extent and had become more closely affiliated with the banking business. This combination gave rise to

a protracted struggle between the trust companies and the established banks. In 1911, after a threat of the trust companies to form their own clearing house they were re-admitted to the New York Clearing House Association from which they had previously withdrawn rather than conform to the reserve requirement imposed by the Association. Two years later the national banks were granted trust powers under the Federal Reserve act. The trust companies unsuccessfully resisted the intrusion of the banks into their field; the integration of trust services and commercial banking was complete. The history of national banks as corporate fiduciaries is given very summary treatment by the author—too summary in the opinion of the reviewer.

Part 3 of the book is devoted to a treatment of current problems on trust company development. This section will doubtless prove to be of special interest to trust officers. In it the author deals with the expansion of trust company services, size of trust funds, investment of trust funds, selling of corporate fiduciary services, scale of compensation, relation with the legal profession and similar subjects. Data were secured at first hand by interviews, correspondence, questionnaires and by very extensive reading of current periodical literature.

The author's discussion of the problems of diversification of trust fund investments is especially valuable. By means of a questionnaire he secured information concerning the diversification practiced by 65 experienced individual investors. The striking difference between individual and trust company investments is to be found in the relative proportion of stocks and bonds. "The average proportion of investment in stocks of all of the groups of individual portfolios studied is 48 per cent, whereas the average proportion so invested by corporate fiduciaries is only 4.3 per cent in the case of legal trust funds, and 5.8 per cent in the case of discretionary trust funds."

Mr. Smith points out that diversification between stocks and bonds is essential because of changes in the general price level; investment should be made in terms of livelihood not dollars. Measured by this test many trust funds invested in "safe" bonds became heavily impaired during the years preceding 1920. The average trust officer regards his task as fully performed if he maintains the dollar value of the funds committed to his care. Mr. Smith contends that this is not enough. The price level as a variable must be considered in formulating a proper investment policy. Diversification between stocks and bonds must be practised.

Approximately 75 pages of the book are devoted to bibliography. This is presented in two parts: a general bibliography and a bibliography of periodical literature. The references in the latter are

divided into twenty-two different groups according to topic and appear in chronological rather than alphabetical order within each group. This method enables a person to locate readily the most recent article on any sub-topic. On the other hand it is difficult to find a specific article if the reader knows, for instance, only the author's name.

The book shows the result of thorough-going research and careful preparation. The great expansion of corporate fiduciaries in recent years makes it especially timely. The author secured the cordial co-operation of trust company officials, which adds to the practical value of the study.

University of Washington H. H. PRESTON

The Banking Process. By ROBERT G. RODKEY. (New York: Macmillan. 1928. Pp. xii, 354.)

The new offering to banking literature is devoted to commercial banking in the United States, except that Chapter 2 is concerned largely with investment and savings banks and Chapter 14 with the Federal Farm Loan System. Of the 347 pages the last 63 are used for extensive appendices on "Bank statement problems," "Forms of bank statements," "Text of the McFadden act," and a "Comparison of reserve requirements under the National Bank act with the original and present reserve requirements of the Federal Reserve act."

The book opens with the sweeping declaration that in none of the existing books on commercial banking "does one find analyzed and described the process by means of which our present day banking system in the United States actually functions." The reader is warranted in assuming, after this challenge, that this book is now to supply that analysis and description so lacking in banking literature. The reviewer is reluctant to say that he has not realized this expectation; there is little analysis or description that does not ring familiar.

To the reviewer the book seems to have three claims to attention. The first is the exceptionally easy style in which it is written, a characteristic which will appeal to students beginning the study of banking and to the general public who require a more popular and easy presentation. The author has a happy facility of tying paragraphs together and making transitions from subject to subject so smooth that the reader is quite unaware. In part this is accomplished by laying a broad basis and relating several subjects to this theme. Chapter 18 on "The changing status of commercial banking" is a masterful treatment of this kind, whereby he effects a unity for the numerous changes in banking law and practice during the current decades. The early part of the chapter lays such a basis of fact and outlook that the passage of the McFadden act seemed most logical, necessary, inevitable,

and entirely virtuous. There is not sounded a single note of adverse criticism of the act in any particular: to do so would spoil the picture.

The second claim to attention is the arrangement of the book. The author names as one of the aims of this volume "to provide a fresh approach to the study of commercial banking in the United States." It consists in omitting an analysis of the theory of money and credit and the history of currency and banking, and in presenting early (if pages 86ff may be regarded early in a book of 280 pages of text) in the book the broad outlines of the federal reserve system, before the nature of banking principles and practice is explained. The reason given for this order of treatment is that monetary theory is too baffling and elusive for beginners, that "the typical college student and the average intelligent layman has at least a superficial knowledge of the federal reserve system as may be gained from the newspapers and popular magazines," that the student is "apt to be genuinely interested in it" and that the teacher is "enabled to take advantage of the psychology of the situation and proceed on the well-known pedagogical principle of moving from the known to the unknown, from the concrete to the abstract," and that the student "will thus bring to a later study of money an equipment which will make it less difficult for him to get at least the heart of that subject." In the reviewer's experience the information here assumed by the author as "known" in advance by the student constitutes a basis altogether too inadequate, inchoate and illogically interrelated to be used by the teacher as the foundation for the science of bank credit.

It seems more logical to clear the students' minds of mistaken or loose preconceptions and to substitute precise notions of money, credit, and bank credit functions, and on the basis of this standardized elemental information build up a logical exposition of the banking process. The arrangement of Dr. Rodkey's book undoubtedly makes clear and sure teaching a difficult problem. For instance, when on page 86 the federal reserve system is taken up, there has up to that time been no statement on the theory or nature of a bank note. On pages 78-81 the national bank notes are criticized as inelastic, but are simply treated as one of the four kinds of money in circulation in the United States, and no effort anywhere in the book is made to give the theory of this important type of bank credit or to relate it to bank deposits. In fact, on page 77 deposits are repeatedly called "bank money." This omission seems particularly queer when on pages 33-4 one finds a bank statement which is said to approximate an actual statement and one notes that it contains certified checks and cashier's checks but not bank notes or letters of credit or acceptances or notes payable—forms of bank credit which are surely more important than certified checks

and cashier's checks to which a page is allotted. The omission is not due to the fact that state banks do not issue bank notes, for state banks find scarcely a mention in the book. As a pedagogical process the first 85 pages will surely result in multiplying the confusion of ideas in the students' minds.

Preparation by way of banking history is confined to ten pages of Chapter 4 called "Our earlier banking system," but it covers only the national bank system after 1863 and only one or two sentences contain any reference to the state banks. The reviewer has always found that the subject of exchange and collection charges and their proper incidence, under the old system and under the federal reserve collection system, is one of the most difficult for students to comprehend, yet in the book under review it is treated on pages 53-61 before the structure and principles of the federal reserve system have been described at all. The loan process is described (pp. 37-9) wholly as a discount process, the real loan process is not presented till pp. 205-18, and even these pages are devoted to the general theory of bank credit and not to the loan process itself.

The third claim which the reviewer regards as due the book is the location of emphasis. "The general theme is," according to the author, "an exposition of the process by means of which the banking system actually carries on." This would lead one to expect a book on practical banking—first, on how a bank is organized and operated, and secondly, how the interbank operations are conducted. This expectation is enhanced by the statement that it is "intended primarily—for the course in banking in collegiate schools of business and for the banker, bank clerk and intelligent layman who wish, in the most economical way, to become familiar with the broader phases of the banking process." The book is not, however, descriptive of the internal operations of a bank or of the federal reserve banks, nor does it describe the method of executing interbank relations. The process which is emphasized and which seems to constitute most of what the author means by the "banking process" is the "process through which the loans of one bank become the deposits of other banks, and just how and to what extent this process makes possible the multiplication of deposits in the banking system as a whole on the basis of a given reserve." Chapter 15 is devoted to this process, and is primarily an attack on Phillips' theory of derivative deposits, which the author attempts to show by numerical statement are "commonly overstated because of a misconception of the true relationship between banks and borrowers."

Dr. Rodkey denies (page 182) that a borrowing depositor borrows more than he expects to use and that he leaves in the bank an amount averaging during the period of the loan say 20 per cent of the loan.

This balance, according to Phillips, is the basis of a big volume of derivative deposits. Rodkey defends the common bank practice of proportioning loans to average balance carried; he does not recognize that this proportioning requires that the borrower leave this balance unused and must therefore borrow that much more, and that if the borrower does leave a percentage of his borrowings unused he increases his chance for greater loans. The author's defense of the 20 per cent rule as a "means of insuring the solvency of the borrower by insisting that he maintain proportionate free balances," misses the point that such solvency is not necessarily greater because the free balance is carried with the *loaning* bank rather than some other bank or even than it would be if the balance were invested in highly liquid assets by the borrower himself. The author glimpses this important fact on page 245 where he is showing the changing status of banking, and notes that corporations are carrying bigger amounts of liquid assets and are therefore freeing themselves from the burden of the banks' 20 per cent rule by carrying small balances at banks and lending directly on the New York call loan market or investing directly in short-term notes and acceptances.

This book is not easily classified: it is not a rounded or complete book on practical banking; it does not sufficiently describe the structure and operations of the federal reserve system to qualify as a book on central banking; it offers a minimum of new analysis in bank theory; it omits the state banks and trust companies, as well as the history of banking in the United States; the only touch of international banking is Chapter 13 on "Domestic and foreign exchange," but even this contains no mention of the silver, paper or gold exchange standards, or of any factor of demand or supply of bills of exchange except merchandise imports and exports.

Yale University RAY B. WESTERFIELD

NEW BOOKS

ANDERSON, B. M., JR. *The autumn money market.* Chase Econ. Bull., vol. VIII, no. 3. (New York: Chase National Bank of the City of N.Y. 1928. Pp. 17.)

BAÑOS, O. F. *Dinamismo de los precios y carestia de la vida.* (Madrid: Industria Grafica. 1928. Pp. 123.)

Many causes are to blame for the high cost of living in Spain. The author discusses inflation and the factors of the high level of prices in Europe.

BENNISON, J. J. *Report of an enquiry into the standard and cost of living of the working classes in Rangoon.* (Rangoon: H. M. Stationery Office. 1928. Pp. v, 221. 4s. 6d.)

BORRELLI, N. *Antica moneta. Studi e materiali di numismatica.* (Santa Maria Capua Vetere: Tip. Di Stefano. 1927. Pp. ix, 382. L.25.)

Bradford, F. A. *Money.* (New York: Longmans Green. 1928. Pp. viii, 403. $2.50.)

Carnazza, L. *Il contratto di apertura di credito confermato e sua natura giuridica.* (Genoa: Stab. Graf. Editoriale. 1927. Pp. 118. L.12.)

Cassel, G. *Post-war monetary stabilization.* (New York: Columbia Univ. Press. 1928. Pp. 109. $2.50.)

Demaria, G. *I saggi di riporto e di deporto della lira italiana a Londra dal 1921 al 1928.* (Milan: Soc. Ed. "Vita e Pensiero." 1928. Pp. 92.)

On the fluctuation of the lira in London from 1921 to 1928.

Dorr, B. *New York and Boston bank stocks.* (Cambridge: Investors Trust Analyst, Inc., 1430 Massachusetts Ave. 1928. Pp. 223. $2.)

The author makes an intensive study of the dividends of seven Boston banks and twenty-seven New York banking institutions. He compares their returns over a twenty year period with the returns of high grade bonds, preferred stocks, and common stocks. Two chapters consider the selection of stocks as made with foresight in 1908, and with hind-sight as made in 1928. Some consideration is also given to investment trusts. The author's conclusion is that New York bank stocks have been more remunerative than any other class of security.

Edie, L. D. *Money, bank credit and prices.* (New York: Harper. 1928. Pp. xiv, 500. $3.50.)

Elster, K. *Von der Mark zur Reichsmark. Die Geschichte der deutschen Währung in den Jahren 1914 bis 1924.* (Jena: Fischer. 1928. Etwa Rmk. 24.)

Fischer, C. A. *Das Devisentermingeschaft in seinen Beziehungen zur Währung und Wirtschaft.* (Berlin: Springer. 1928. Pp. vii, 100.)

On dealings with foreign bills of exchange and futures, and the means of dealing with the evils connected with speculation in them.

Foà, B. *Influenze monetaire sulla distribuzione delle ricchezze la inflazione.* (Milan: Albrighi, Segati & C. 1927. Pp. 146. L.15.)

Furuya, S. Y. *Japanese foreign exchange and her balance of international payments, with special reference to recent theories of foreign exchange.* (New York. Columbia University Press. 1928. Pp. 208. $3.25.)

This is the most thorough study of Japanese exchange that has thus far appeared. It is a distinct contribution to the subject of the exchanges.

Dr. Furuya first discusses the general background of economic conditions in Japan, the monetary and banking systems and the methods of financing foreign trade employed by that country. He next considers the trend of yen exchange and the balance of payments for the three periods, 1914-18, 1919-23, and 1924-27, and accounts for the variations in the exchange rates. To stabilize the yen he proposes that the general level of prices be lowered so as to make the purchasing power of the yen equal to that of the dollar and the pound sterling, that visible and invisible trade be promoted so that a favorable balance of payments may result, and that the obvious and avoidable sources of exchange speculation be removed.

In accounting for the fluctuations of yen exchange he rejects all of the current theories and proposes a combination of the purchasing power parity, the balance of payments and the speculation theories. He claims that "under normal conditions, the purchasing power parity theory (long time factor), speculation (short time factor) and the balance of payments (both long time and short time factors) are the three most important

factors which influence exchange rates. But at the same time the exchange rates themselves are constantly influencing one or all of these factors. Both are interdependent." I. B. C.

GIARA, V. T. *Il lios o lira lavoro: nuovo sistema monetario non a base aurea.* (Milan: G. Bolla. 1927. Pp. 163. L.15.)

GOLDSCHMIDT, R. W. *Das deutsche Grossbankkapital in seiner neueren Entwicklung.* (Berlin: Emil Ebering. 1928. Pp. viii, 255.)

HOLDSWORTH, J. T. *Money and banking.* 5th ed., rev. and enl. (New York: Appleton. 1928. Pp. xix, 563. $3.)

The last previous edition was published in 1923. In the five years which have elapsed new questions relating to branch banking, agricultural credit, investment trusts, policy under the McFadden act, and international gold movements have necessitated a revision. The book is rewritten throughout.

JANNACCONE, P. *La bilancia del dare e dell'avere internazionale, con particolare riguardo all'Italia.* Raccolta di studi a cura dell'Istituto di Politica e Legislazione Finanziaria dell'Università di Roma. (Milan: Fratelli Treves. 1927. Pp. 115. L.15.)

LAWRENCE, J. S. *Stabilization of prices: a critical study of the various plans proposed for stabilization.* (New York: Macmillan. 1928. Pp. xix, 484. $5.)

MANN, F. K., editor. *Sozialwissenschaftliche Bausteine.* Band I. *Das Geldschöpfungsproblem,* by WALTER G. BEHRENS. (Jena: Fischer. 1928. Pp. xii, 324. Rmk.16.)

MATTINGLY, H. *Roman coins.* (New York: Dial Press. 1928. Pp. 264. $6.)

NUSSBAUM, A. *Verträglicher Schutz gegen Schwankungen des Geldwertes.* (Berlin: Walter de Gruyter. 1928. Pp. 95.)

This volume is the logical conclusion of Professor Nussbaum's monumental work, *Das Geld in Theorie und Praxis.* Here he elaborates some of the phases of the problem already treated in the previous volume. The question of the protection against loss arising from currency depreciation is very vital; and it is surprising that so little has appeared in the English language on the subject. All this protection rests of course either upon the law or upon judicial interpretation, and Professor Nussbaum makes a very careful analysis of the laws of leading countries with regard to the effect of the depreciation of the exchange upon contractual obligations.

Chapter 1 traces the development of the gold clause and its origin, and gives a brief but valuable description of the various decisions rendered by the courts of various countries. Chapter 2 is a valuable analysis of the various classes of the gold clause. The author discusses a number of legal decisions arising out of the pure and simple gold clause where the borrower contracts to pay actual gold and contrasts it with the other protective clauses where the borrower may pay either gold or its equivalent in foreign currency, or domestic currency. It is rather strange that, in spite of the large number of judicial decisions rendered on this point, most contractual obligations incurred in the United States through the flotation of foreign loans insist upon the strict gold clause, although the legal interpretation of the other clauses seems to give more protection to the creditor.

The last part of the book dicusses Viennese rules of 1926 and concludes with a survey of legislation on the gold clause in a number of European countries.

Dr. Nussbaum's work is based on a large number of judicial decisions and should prove of interest not only to the lawyer who writes the contract between debtor and creditor, but offers a good deal as well to the economist and the banker.

MARCUS NADLER

REVETA, M. *La pratica bancaria.* I. *Massimario.* II. *I bilanci nelle banche.* (Parma: Zanlari. 1927. Pp. 292. L.30.)

ROBERTS, G. E. *The credit situation.* Address delivered at the fifth conference of the National Association of Finance Companies held in New York City, November 20, 1928. (New York: National City Bank of N.Y. 1928. Pp. 18.)

ROSBOCH, E. *La riforma monetaria italiana.* (Milan: Casa Ed. A. L. P. E. S. 1927. Pp. 267. L.16.50.)

SAUNDERS, R. W. *The first thousand dollars, and other essays.* (New York: Bankers Pub. Co. 1928. Pp. 168. $1.)

SEGRE, A. *Metrologia e circolazione monetaria degli antichi.* (Bologna: N. Zanichelli. 1928. Pp. xiv, 546. L.80.)

VENDETTUOLI, G. *Le casse di risparmio.* 2nd ed. (Turin: Unione Tip. Ed. Torinese. 1927. Pp. 364. L.25.)

WARREN, G. F. and PEARSON, F. A. *Interrelationships of supply and price.* Bull. 466. (Ithaca, N.Y.: Cornell Univ. Agricultural Experiment Station. 1928. Pp. 144.)

An effort to determine the variations of price accompanying variations in supply, and thereby give the supply and demand theory greater precision. It is believed that prices of agricultural products offer a more advantageous approach for such analysis, because the demand factor is more constant in this field. Curves showing the relation of supply to price are given for more than 15 agricultural commodities. The subject is treated by mathematical formulæ, and the authors present in detail the data upon which conclusions are based. For those interested in the question of agricultural or "farm" relief, the study is especially timely.

WHITE, C. P. and PATTEN, S. M., editors. *Stabilization of commodity prices.* Annals, vol. CXXXIX, no. 228. (Philadelphia: American Academy of Political and Social Science. 1928. Pp. v, 228. $2.)

An analysis of bankers' balances in Chicago. Bull. no. 21. (Urbana: Univ. of Illinois, Bureau of Business Research. 1928. Pp. 69. 50c.)

The Household Finance Corporation. (Chicago: Household Finance Corp., 360 N. Michigan Ave. Pp. 10.)

Lending money to small borrowers. (Boston: Lee, Higginson & Co. 1928. Pp. 10.)

Public Finance, Taxation, and Tariff

The Tariff on Animal and Vegetable Oils. By PHILIP G. WRIGHT. With the aid of the Council and Staff of the Institute of Economics. (New York and London: Macmillan. 1928. Pp. xviii, 347. $2.50.)

The task Dr. Wright has set for himself in this volume is to ascertain how far the protective duties on animal and vegetable oils, by which Congress in 1920 and 1922 sought to give agricultural relief, have served their purpose, and what undesirable effects, if any, have resulted from that legislation. The book contains a compact body of information, set forth with unusual lucidity, such as a conscientious legislator, bent on a tariff in the public interest, would wish to have. The properties and uses, production and consumption, and trade movements are set forth in the first hundred pages, followed by a series of chapters on the new duties and their effects on price, production, and trade movements as far as they may be traced. The last quarter of the book contains basic tables and technical and critical discussions.

Interest centers in the conclusion reached as to the effectiveness of the new duties in affording protection for a dozen of the more important animal and vegetable oils. As might be expected, effectiveness is found to vary greatly with the commodity. Flaxseed, *e.g.*, received a 100 per cent increase, and the price has been maintained above the foreign price, in spite of unabated imports and increased production, but, comparing Minneapolis and Winnipeg prices, by something less than the amount of the duty. Linseed oil received a compensating duty of 150 per cent above that of 1913; and the price has been maintained above the foreign price by more than the amount of the duty. These duties have achieved success in maintaining price. But, since for every farmer who raises flaxseed there are ninety-nine who do not, and most of them do use paint, not much can be said for the duties as a means of agricultural relief.

In no part of the study perhaps does Dr. Wright show his skill in marshalling and analyzing his facts to better advantage than in dealing with the cottonseed oil duty and that on peanuts, peanut oil and soya bean oil, closely associated with it. Without protection the production of cottonseed oil had grown by 1914 to about 1800 million pounds and was selling around 6 or 7 cents per pound. Production fell off from local causes during the war; and in 1920 we were producing 1142 million pounds and importing 9.4 millions. A peak price of 19.8 cents was reached in January of that year. The price fell rapidly during the next year, and in April, 1921, when the Emergency act was passed, reached 5 cents. The tables show that imports declined sharply, and in 1924 and 1925 no oil was imported. The price soon rose to 8 or 9 cents and has been well maintained around 9 or 10 cents. In 1926 it rose to nearly 14 cents. Imports began that year, and by the end of the year the price had fallen off about 50 per cent. Throughout the period the American price was higher than the English price, a good part of the time substantially higher.

On the surface, it looks as though effective protection had really been achieved for a product regularly exported in considerable volume. But Dr. Wright's unequivocal conclusion is that "there was no connection between the duty and the rise in the price of oil." In stating the grounds for this conclusion he discloses a defect in his price tables. The English prices are for Egyptian oil of lower grade than the American but by what differential is not indicated. The conditions of domestic supply and demand were more important than the duty in determining the price. The years when the difference between the domestic and the foreign price was greatest were years of a short crop of cotton. No indication is given as to what extent if at all the fairly well maintained price of oil worked back to the price which growers got for their seed. Ordinarily those next to the market, whose business is less industrial and more financial than is the case with farmers, may be relied upon to secure their share of any gain that comes from a rise in price. In this case, however, the oil producers did not prosper under the price recovery. On the contrary, they met with disaster (Chapter 5); and it is one of the ironies of the situation that their reverses were probably due in part to the operation of the duties they had sought. The check to imports tended to depress the European price of Egyptian oil, by means of which English refiners were able to win the European market away from American refiners. This is shown by the remarkable shift in the destination of American export oil. Another untoward effect of the duty, thinks Dr. Wright, is the embarrassment of the soap makers who made large use of Egyptian oil, very little of which went into food products. While thus ascribing some injury to the tariff, Dr. Wright maintains plausibly that there is no reason for thinking that the tariff acts of 1921 and 1922 have increased the price of cottonseed oil, except for a few months in the summer and fall of 1926 when farmers had no cotton seed to sell.

From the point of view of the farm relief expected, the butter duty is perhaps the most significant in the group. The Emergency act raised the duty from 2.5 cents to 6; the Act of 1922—to 8 cents; and by executive order in 1926 it was increased to 12 cents on the finding of an "equalizing cost," by the Tariff Commission. With a 380 per cent increase of the tax and with imports year after year in excess of exports, substantial aid might reasonably be expected. Yet Dr. Wright concludes, after a lengthy analysis of his very full data, that while the price has risen after each increase in the duty, only rarely has the monthly average price in New York exceeded the Copenhagen price by the amount of the duty or more; usually the difference in price has been much less than the duty and sometimes the New York price is less than that of Copenhagen or London (pp. 142-3). The effectiveness of the

tariff changes with the season and with conditions unrelated to it. He concludes that "taking the period as a whole the gain has been small. In a nutshell the conclusions are that the domestic output is so vast that prices have been determined chiefly by the conditions of domestic supply and demand, but that the tariff has enabled domestic producers, in times of strong demand, which of course may be created by superior marketing methods, to obtain a somewhat better price for their product than would otherwise be possible."

One purpose of the Institute's tariff series is to show farmers "the extent to which they do in fact benefit and can expect to benefit by such duties and hence aid them in deciding on the wisdom of the policy on which they have embarked." The net effect of Dr. Wright's study of this schedule will be to cause distrust of the tariff as an aid to agriculture under present conditions of domestic production and consumption. But these conditions may change; and it would be a pity to convince the farmer after generations of barking up the protection tree to give up the game if such changes are imminent. When that time comes the farmers will need their united strength if they are to retain the tariff favors now so gallantly bestowed upon them. It is to be hoped, therefore, that the Institute, in its forthcoming study of the wheat duty and in the promised volume on the general subject of agricultural protection, will examine the grounds for the oft-repeated prediction of the disappearance of our exportable surplus through the growth of domestic consumption.

Mention should be made of two of the appendices with which this excellent study closes. Appendix B deals with the factors which must be known before an accurate forecast of the effect of a tariff duty can be made. The unknowns are imposing enough to make a serious-minded legislator or a theorist for that matter, humble in the presence of a proposed duty. Whatever the practical value of the intricate computation of elasticity of demand and supply as applied particularly to butter in this chapter, the discussion has high theoretical value. Appendix C goes over the difficulties encountered in trying to find the "equalizing" rate under the provisions of the flexible tariff law. In practice they are found to be as great as Dr. Page, in an earlier volume of this series, contended they would be. The cost figures of the Tariff Commission, used to establish the 12 cent duty of 1926, coming out with the conclusion that 74 per cent of the butter in the United States is produced at a loss, are naturally distrusted by Dr. Wright. The figures so far as farm operations are concerned, were necessarily based on imputed costs and can have little value as a guide to tariff making.

Yet it is certain that the tariff-makers will unfortunately turn from

the methods employed and the conclusions reached in this book to the usual sources of information. A recent issue of one of the business services informs its clients of the probably upward revision of the tariff about to be made and points out the "opportunity for obtaining increases" now before them. "Cases for higher duties must be carefully prepared in conjunction with other producers in the same line. It makes a stronger case and saves time if the whole trade gets together in asking a change of duties. Attorneys and statisticians are useful in drawing up a case; but personal appearance of business executives with direct knowledge is highly desirable. Information should be presented on production costs, here and abroad, selling costs, prices, and transportation charges. . . . . The shaping of a tariff bill is a big job. To be successful it is essential that cases be well prepared and well presented." It is in behalf of the right method that the Institution of Economics is doing battle.

University of Nebraska G. O. VIRTUE

NEW BOOKS

ALOISINI, T. *L'imposta sui redditi di ricchezza mobile: manuale teorico-pratico delle leggi, regolamenti, normali e giurisprudenza amministrativa e giudizaria.* (Naples: Jovene e C. 1927. Pp. 526. L.46.)

BLACHLY, F. F. and OATMAN, M. E. *The government and administration of Germany.* Institute for Government Research, studies in administration. (Baltimore: Johns Hopkins Press. 1928. Pp. xiv, 770. $5.)

The first of a series of volumes describing the administrative systems of the chief countries of Europe. The preparation is based upon original sources, fully annotated; chapter 7 deals with revenue administration; chapter 8, the budget; chapter 16, administration and regulation of economic enterprises; and chapter 18, with insurance and social welfare. There is appended an exhaustive bibliographical chapter of seventy pages.

BRÄUER, K., editor. *Finanzwissenschaftliche und volkswirtschaftliche Studien.* Heft 13. *Das österreichische Besteuerungssystem,* by OTTO WITTSCHIEBEN. (Jena: Fischer. Etwa Rmk.4.)

CHIUMENTI, V. *Guida del contribuente per il 1927: commento pratico alle disposizioni in materia di imposte e tasse, emanate fino al 31 dicembre 1926.* (Bologna: "Il Resto del Carlino." 1927. Pp. 1040.)

DELLE-DONNE, O. *European tariff policies since the World War.* (New York. Adelphi. 1928. Pp. xiv, 288. $3.50.)

Three chapters on the tariff situation in Europe just before the war, state intervention during the war in the matter of food and raw materials, and war trade regulations, give an excellent background for this admirable study of post-war commercial policy. The course of tariff legislation in England, France, Germany and Italy is followed in detail. Tariff laws in these countries typify what is going on throughout Europe. Everywhere the slight tendency shown before the war toward freer commercial intercourse has been completely reversed; and, with the wrenching given to industry by the war and by the peace that followed, and with the "eco-

nomic nationalism" of the time, such a reversal of policy was inevitable. Import duties have been raised to protect a new crop of "young industries;" and export duties have been laid to protect the nation's supply of raw materials. Protection has been invoked to encourage "key" industries, to maintain the high standard of living won by the wage-earners and high profits won by the industrialists during the war, and to relieve acute evils arising from dumping, especially from "exchange dumping" growing out of unequal depreciation of currencies.

With all this urge for protection the moderation with which it has been applied is rather remarkable, as far at least as can be seen in Dr. Delle-Donne's averages. France, suffering from about every ill for which protection is supposed to be an anodyne, has increased her duties on agricultural products from an average of 22.5 per cent to an average of 23.8 per cent, and on industrial products from an average of 9.2 per cent to 10.7 per cent. In Germany, but recently made free to legislate on the subject, about the same increases have been made. In Italy the increase has been a little more pronounced; but even here, where heroic efforts are being made to improve agriculture, and more heroic efforts are being made to develop manufactures, the average rate on dutiable imports, about 60 per cent of the total, has been increased only from 12.7 per cent to 14.2. The much talked of drift toward protection in England has not jarred that country from its free trade moorings. The McKenna duties levied during the war remain, but they were more of the nature of luxury taxes than protective duties; and the post-war duties laid to develop "key" industries must be charged to military, rather than commercial, policy. No way has been found of extending materially the principle of preferential rates within the empire without increasing the cost of living in England; and the protective movement seems stalled there.

Nevertheless, Dr. Delle-Donne regards the new duties as a menace to security and a bar to progress. The new tariff boundaries created by the Treaty, the unequal distribution of raw materials now being magnified by the formation of international cartels, make even a moderate increase of rates a serious matter for Europe. A recession of the new protective movement must await the removal of the causes which produced it. "A satisfactory solution of the problem of raw materials, real currency stabilization, and above all, the assurance of lasting peace—these are the conditions indispensable to any important step toward economic peace and to a successful attempt to lower existing tariff barriers." With the nations making gestures toward peace with one hand and preparations for war with the other, it would seem that the prospect for an early removal of tariff barriers is none too bright.

The careful and very readable survey of the European tariff situation given by the book makes it a real and a welcome contribution.

G. O. Virtue

Dewey, D. R. *Financial history of the United States.* 10th ed. (New York: Longmans Green. 1928. Pp. xxxviii, 581. $3.)

Contains an additional chapter, bringing the subject matter down to 1928.

MacDonald, A. F. *Federal aid: a study of the American subsidy system.* (New York: Crowell. 1928. Pp. xii, 285. $2.75.)

This is a first-hand inquiry into the growth of federal aid in various local projects, such as construction of highways, agricultural extension work, education, vocational rehabilitation, and other purposes. The demand for better roads, better schools, and better farming has been met by the help of federal funds. All of our forty-eight states have seemingly been willing to accept federal funds together with a measure of federal supervision over local activities. The local taxpayer as a result has had his burdens made easier.

The growth of the federal subsidy system has been quite remarkable. In 1912 the total of the payments from the federal treasury to the states was approximately \$8,000,000. By 1925 it had risen to \$147,000,000; or in other words there was an increase of more than 1700 per cent. The reason for this is, the author believes, that local authorities find themselves powerless to cope with problems that have become national in scope, and, while objecting to excessive centralization, accept and seek federal aid because it combines state control with national leadership.

In answer to various objections to federal aid, the author shows that it is beneficial for five reasons: It stimulates state interest and state activity; it brings about a certain degree of uniformity without ignoring differences in local needs; it equalizes to some extent the tax burdens of the several states; and it recognizes and re-affirms the principle of local autonomy. The contention is that federal aid establishes a national minimum of efficiency and economy without the sacrifice of state autonomy. The most interesting chapters of the book are, perhaps, those devoted to forest fire prevention, agricultural extension work, highways, and vocational education. The facts presented were gathered by actual observation in a large number of states and have been checked by interviews with many local authorities. The book is an excellent piece of work, giving as it does an interesting presentation of an important economic and social question. George Milton Janes

Mori, V. *Le società commerciali e industriali nella pratica tributaria.* (Rome: "Athenaeum." 1927. Pp. xii, 223. L.30.)

Perroux, F. *Contribution à l'étude de l'économie et des finances publiques de l'Italie depuis la guerre.* (Paris: Giard. 1929. Pp. 337. 50fr.)

Russell, S. *Rectification of the corporate profits tax.* (Washington: Author, 1815 Lamont St. 1928. Pp. 16.)

Seligman, E. R. A. *Double taxation and international fiscal coöperation, being a series of lectures delivered at the Académie de Droit International de La Haye.* (New York: Macmillan. 1928. Pp. vii, 203.)

Stefani, A. de. *Vie maestre: commenti sulla finanza del 1926.* (Milan: Fratelli Treves. 1927. Pp. 340. L.18.)

Taylor, E. *Finanzpolitik und Steuersystem der Republik Polen.* Heft 12. (Jena: Fischer. 1928. Pp. xv, 365. Rmk. 18.)

Valentini, G. B. *Il bilancio pubblico.* (Milan: Casa Ed. "Rivista di Amministrazione e Finanza." 1927. Pp. viii, 253. L.30.)

Volpi di Misurata, G. *Gli svillupi della finanza italiana. Il consolidamento del debito fluttuante.* Il "Prestito del Littorio," discorso al Senato. (Rome: Libreria dello Stato. 1927. Pp. 35. L.3.50.)

Analysis of North Carolina taxes and debts: what they are and what they have bought. (Raleigh: State Dept. of Conservation and Development. Pp. 33.)

Assessments and taxes, City of Milwaukee, 1927. (Milwaukee: Tax Commissioner's Office. 1928. Pp. 29.)

Federal aid to the states. Report of the Committee on Federal Aid to the States of the National Municipal League. Supplement to the *National Municipal Review,* October, 1928. (New York: National Municipal League, 261 Broadway. 1928. Pp. 619-659.)

Financial statistics of cities having a population of over 30,000, 1926. (Washington: Supt. Docs. 1928. Pp. 505. $1.25.)

The Massachusetts tax laws, revised to include 1927 legislation. (Boston: Old Colony Trust Co., 17 Court St. 1928. Pp. 194.)

The shifting and effects of the federal corporation income tax. Vol. I. *Manufacturing and mercantile corporations.* (New York: National Industrial Conf. Board. 1928. Pp. xvii, 251. $4.)

Statistica della finanza locale, ecc. nell'anno 1925. (Rome: Libreria dello Stato. 1927.)

Population and Migration

NEW BOOKS

Arena, C. *Italiani per il mondo. Politica nazionale dell'emigrazione.* (Milan: Casa Ed. A. L. P. E. S. 1927. Pp. xv, 185. L.8.)

Colonna, G. *Lineamenti demografici della Sardegna.* (Novara: Tip. Cataneo. 1927. Pp. 63. L.5.)

Graziadei, A. *Capitale e colonie.* (Milan: Casa Ed. Sociale. 1927. Pp. 158. L.7.)

Kuczynski, R. R. *The balance of births and deaths.* Vol. I. *Western and Northern Europe.* Institute of Econ. pub. (New York: Macmillan. 1928. Pp. 151. $2.)

Mondaini, G. *Manuale di storia e legislazione coloniale del Regno d'Italia.* Parte I. *Storia coloniale.* (Rome: A. Sampaolesi. 1928. Pp. vii, 637. L.50.)

Vattier, G. *Esquisse historique de la colonisation de la Province de Quebec, 1608-1925.* (Paris: Librairie Ancienne Honoré Champion. 1928. Pp. viii, 128.)

A useful survey of the history of colonization in Quebec with a discussion of factors favoring and hindering colonization, including transportation problems and governmental assistance. Contains a valuable bibliography. H. A. I.

Virgilii, F. *Le colonie italiane nella storia, nella vita presente e nel loro avvenire.* (Milan: U. Hoepli. 1927. Pp. xvi, 242. L.12.50.)

Young, D., editor. *The American negro.* Annals, vol. CXXXX, no. 229. (Philadelphia: Am. Acad. of Pol. and Soc. Sci. 1928. Pp. viii, 359. $2.)

Dominion of New Zealand: population census, 1926. Vol. III. *Ages.* (Wellington: Census and Statistics Office. 1928. Pp. 41. 2s.)

L'emigrazione italiana: legislazione, statistiche, accordi internazionali, organi e servizi statali. (Palermo and Rome: R. Sandron Ed. Tip. 1927. Pp. xix, 665. L.30.)

New Zealand: statistical report on population and buildings for the year

1927-28. (Wellington: Census and Statistics Office. 1928. Pp. 53. 2s.)

Norwegian-American Historical Association: studies and records. Vol. III. (Northfield, Minnesota: Norwegian-American Historical Association. 1928. Pp. vi, 133.)

Contains chapters on Norwegian immigration to this country.

Social Problems and Reforms

NEW BOOKS

CLAPP, M. A. and STRONG, M. A. *The school and the working child, being a study of the administration of certain laws pertaining to children in industry.* (Boston: Mass. Child Labor Committee. 1928. Pp. x, 226. $1.)

CLARK, H. F. *Some economic consequences of education.* Reprinted from the *Journal of Educational Research,* November, 1928. (Bloomington, Ill.: Public School Pub. Co. 1928. Pp. 7.)

CONOVER, M. *Working manual of original sources in American government: a case system for the study of politics.* Rev. ed. (Baltimore: Johns Hopkins Press. 1928. Pp. ix, 167.)

"As a supplement to the collegiate textbooks on American government, these problems aim to introduce the student to the general field of original sources in the American federal system, including its component national, state, municipal and local units, so that he may perceive this government as one composite living organism executing its many coördinated functions."

Each exercise includes 50 different assignments. The sources include references to public documents, journals, newspapers, and general literature. This is a revision and rearrangement of the volume first published in 1924.

DUPREEL, E. *Deux essais sur le progrès.* I. *La valeur du progrès.* II. *Population et progrès.* (Brussels: Maurice Lamertin. 1928. Pp. 270.)

FISHER, I. *Prohibition still at its worst.* (New York: Alcohol Information Committee. 1928. Pp. xxvii, 358. $1.75.)

HANKINS, F. H. *An introduction to the study of society. An outline of primary factors and fundamental institutions.* (New York: Macmillan. 1928. Pp. xiii, 760.)

This volume is Professor Hankins' idea of what a course in introductory sociology should be. Let him tell what it contains: "The study begins with some consideration of the pitfalls of bias and the characteristics and significance of the evolutionary viewpoint. Then comes a study of the origin of man and of his diversification into races. After a brief transition chapter, we enter upon a survey of the primary factors in social life, the geographical, the biological, the psychological, and the cultural. Then follows another transition chapter dealing with certain essential concepts, such as community, society, and institution. Thereafter are studied the fundamental social arrangements whereby man has solved the major problems of living together in groups, namely, material culture; myth, magic, religion, and science; the family; and the state." (P. viii.)

A comparison of this statement with other sociology books only makes one more uncertain, more unsettled about what sociology is. (*Cf.* pp. 35, 167.) Indeed, there are some sociologists who would deny that this book is really within the field of sociology. (*Cf.* E. B. Reuter, *Pubs. Am. Sociol. Soc.* 22:300-303, 1928.) And yet Professor Hankins hopes that his work "may give to the base course in sociology somewhat the same unity and systematic survey of fundamentals which elementary texts in economics give to a neighboring field" (p. vii).

While there is much material from social anthropology in this book, the point of view is biological. That is, Professor Hankins emphasizes the predominance of biological heredity as against the influences of the social environment, of the physical characters of man as against the influences of culture; and perhaps in consequence, he often fails to distinguish between the organic and the social. This attitude is especially marked in his treatment of the subjects of race, negroes, women, our recent immigrants, and eugenics.

The limits of this notice do not permit an examination of this matter or of Dr. Hankins' detailed treatment of the many topics included in his book. I can only say that those who like his point of view will perhaps like his book, while those who do not, will undoubtedly be of another opinion.

MAURICE G. SMITH

HEAGERTY, J. J. *Four centuries of medical history in Canada, and a sketch of the medical history of Newfoundland.* Vols. I and II. (Toronto: Macmillan. 1928. Pp. xviii, 395; vii, 374.)

These volumes include a survey of epidemics of disease with reference to losses from specific diseases at various points, of the development of medical surgery, of public health departments (provincial and federal), of medical schools and of hospitals. A tremendous mass of information has been collected, to a large extent in the form of extracts, and arranged topically and chronologically. No attempt has been made at presenting conclusions, and at best the work must be regarded as an incomplete encyclopaedia. Fortunately a valuable bibliography has been added, although it might have been improved by more attention to libraries other than the public archives. The task of a competent future historian of medicine has been greatly lightened as a result. The economic historian of Canada will find the volumes of great value for reference purposes. The index is invaluable.

H. A. I.

HOSE, R. E. *Prohibition or control? Canada's experience with the liquor problem, 1921-27.* (New York: Longmans Green. 1928. Pp. 140. $3.)

HOYT, E. E. *The consumption of wealth.* (New York: Macmillan. 1928. Pp. xiv, 344.)

IRWIN, O. W. *State budget control of state institutions of higher education.* Contribs. to educ. no. 271. (New York: Teachers Coll., Columbia Univ. 1928. Pp. 128. $1.50.)

JOHNSEN, J. E., compiler. *Federal and state control of water power.* Rev. shelf, vol. V, no. 9. (New York: Wilson. 1928. Pp. 186. 90c.)

JOHNSTON, G. A. *Citizenship in the industrial world.* (New York: Longmans. 1928. Pp. 305. $5.)

Lee, B. *Issues in the social studies.* Soc. sci. monographs, no. 3. (New York: Teachers Coll., Columbia Univ. 1928. Pp. 199.)

McBain, H. L. *Prohibition, legal and illegal.* (New York: Macmillan. 1928. 180. $2.)

Noaro, G. C. *Nuovo manuale completo di legislazione sociale.* (Rome: Tip. C. Colombo. 1927. Pp. 295. L.30.)

Nystrom, P. H. *Economics of fashion.* (New York: Ronald. 1928. Pp. xiii, 521. $6.)

Page, K., editor. *Recent gains in American civilization, by a group of distinguished critics of contemporary life.* (New York: Harcourt, Brace. 1928. Pp. 357. $3.)

A collection of essays by 15 different writers. Of economic import are "New outposts of business and industry" by Stuart Chase, and "Recent gains in industrial relations" by Mary van Kleeck.

Raushenbush, H. S. *High power propaganda.* (New York: New Republic. 1928. Pp. 89. 25c.)

Rugg, E. U. and Dearborn, N. H. *The social studies in teachers colleges and normal schools.* Col. Teachers Coll. educ. ser., no. 4. (Greeley, Col.: Col. State Teachers Coll. 1928. Pp. 169. $1.50.)

Schmid, C. F. *Suicides in Seattle, 1914 to 1925: an ecological and behavioristic study.* Pubs. in soc. sci., vol. V, no. 1. (Seattle: Univ. of Washington Press. 1928. Pp. 100. $1.)

Shotwell, J. T. *War as an instrument of national policy and its renunciation in the pact of Paris.* (New York: Harcourt Brace. 1928. Pp. x, 310.)

Townroe, B. S. *The slum problem.* (New York: Longmans Green. 1928. Pp. 231. $2.25.)

Walker, S. H. *Social work and the training of social workers.* (Chapel Hill: Univ. of North Carolina Press. 1928. Pp. xiii, 241. $2.)

This book begins with a discussion of the basis of social work and follows with a study of the characteristics, motives, and objectives of social work, types of social workers, schools of training, the educational needs and the relation of social work to the social sciences.

The writer asserts that the public, not the social workers, determines the welfare programs, and that social science organizations are not operated on definite business principles. The chest movement, however, has greatly improved business practices and has led to a better analysis of work done for the community. On the other hand, many will not agree with the author's statement that the chest works toward an "adequate social program." Private philanthropy cannot carry the burden of social work and gradually a larger proportion will be handled through public agencies.

In the description of the objectives of social work, the author has clearly sensed the current situation in her assertions that social workers appear to make their primary function the application of practical techniques to existing situations; that they have no clear-cut program for social improvements, and that they are addressing themselves largely to remedial work. In a similar way the failure of social workers and of sociologists to work coöperatively is explained and the opinion expressed that in the future more mutual confidence will be expressed and more team-work attempted.

The book presents a careful and conservative picture of current social work, its ideals and its goals, and will make very useful reading for persons interested in the subject. George B. Mangold

Williams, G. C. *Social problems of South Carolina.* (Columbia, S.C.: State Co. 1928. Pp. 194. $2.50.)

Legal aid: a selected bibliography. Bull. no. 91. (New York: Russell Sage Foundation Library. 1928. Pp. 4. 10c.)

The promotion of the welfare and hygiene of maternity and infancy. The administration of the act of Congress of November 23, 1921, for fiscal year ended June 30, 1927. Bull. no. 186. (Washington: Children's Bureau, U. S. Dept. of Labor. 1928.)

Social work and legislation in Sweden: survey published by order of the Swedish government. (Stockholm: P. A. Norstedt & Söner. 1928. Pp. vi, 289.)

Insurance and Pensions

NEW BOOKS

Ackerman, S. B. *Insurance: a practical guide for various forms of coverage, the policy contracts and the protection afforded customers.* (New York: Ronald. 1928. Pp. ix, 609. $5.)

As the sub-title states, this is a classified compendium of useful information for the guidance of insurance consumers. A separate chapter is given to life, fire, marine, accident, and each of fifteen other branches of insurance with summaries or reprints of contracts or provisions thereof. Single chapters are also given on types of carriers, rate-making associations, organization and management of companies, reinsurance, investments and the legal interpretation of the contract.

While the book will serve as a guide in the business office, it is doubtful if it is adapted to meet the needs of college or university courses, because of its necessarily brief treatment of the broad fields of life, fire, marine, and casualty insurance. F. E. W.

Beha, J. A. *Present day marine insurance.* Address before the National Convention of Insurance Commissioners, Rapid City, South Dakota, September 27, 1928. (Rapid City, S.D.: National Convention of Insurance Commissioners. 1928. Pp. 9.)

Campese, E. *L'assicurazione contro la disoccupazione in Italia.* (Rome: Libreria dello Stato. 1927. Pp. 455. L.30.)

Giordani, I. *Gli istituti e le imprese di assicurazioni private in Italia nell'anno 1927.* (Rome: Libreria dello Stato. Pp. xviii, 154. L.12.)

Jones, H. *The development and significance of mutual insurance associations in Iowa.* Iowa studies in business, no. 3. (Iowa City: State Univ. of Iowa, College of Commerce. 1928. Pp. 84. 50c.)

Kopf, E. W. *Origin, development and practices of livestock insurance. Bibliography section.* Reprinted from the *Proceedings of the Casualty Actuarial Society,* May 25, 1928. (New York: L. W. Lawrence, 38 Liberty St. Pp. 367-372.)

Prato, G., Porri, V. and Carrara, F. *Lo sviluppo e il regime delle assicurazioni in Italia.* (Turin: S. Lattes. 1928. Pp. 340. L.30.)

This commemorates the first centenary of a great Italian insurance company. The first essay by Professor Prato gives a sketch of the rise of insurance in Piedmont from the early projects of the seventeenth and eighteenth century down to 1850. The second essay is a detailed account of the development of branches of private insurance; and the third, by F. Carrara, is a legal study dealing with insurance contracts under the Italian law.

RICCARDO BACHI

SUNDERLIN, C. A. *Sunderlin on fire insurance.* (New York and Chicago: Spectator Co. 1928.)

SWEENEY, S. B. *The nature and development of aviation insurance.* A thesis. (Philadelphia: Univ. of Pennsylvania. 1927. Pp. 158.)

Industrial pensions: supplementary list. Bull. no. 92. (New York: Russell Sage Foundation Library. 1928. Pp. 4. 10c.)

Proceedings of the twenty-second annual convention of the Association of Life Insurance Presidents. (New York: Assoc. of Life Insur. Presidents, 165 Broadway. 1928. Pp. 280.)

Pauperism, Charities, and Relief Measures

NEW BOOKS

INDRI, G. *Per la salute degli operai: un biennio di attività nel campo assistenziale.* (Milan: Tip. Bertierie Vanzetti. 1927. Pp. 281. L.50.)

JENKINS, F. W., compiler. *Social case work: a selected bibliography of American publications.* Bull. no. 89. (New York: Russell Sage Foundation Library. 1928. Pp. 11. 20c.)

Socialism and Co-operative Enterprises

NEW BOOKS

HUGHAN, J. W. *What is socialism?* Vanguard outlines of social phil. (New York: Vanguard Press. 1928. Pp. 202. 50c.)

PHILIP, A. *Henri de Man et la crise doctrinale du socialisme.* (Paris: Lib. Universitaire J. Gamber. 1928. Pp. 197.)

Statistics and Its Methods

NEW BOOKS

BOWERS, E. A., editor. *Annual report on the vital statistics of Massachusetts, births, marriages, divorces and deaths, for the year ending December 31, 1927.* Pub. doc. no. 1. (Boston: State House: 1928. Pp. iii, 171.)

BRESCIANI-TURRONI, C. *Considerazioni sui "Barometri" economici.* Extract from *Giornale degli Economisti e Rivista di Statistica,* Jan., May and July, 1928. (Città di Castello: Soc. Tip. "Leonardo da Vinci." 1928. Pp. iv, 100.)

On the so-called economic barometers, with remarks on the Harvard curves, the theory of Karsten and on the phases of tension and recovery.

PERSONS, W. M. *The construction of index numbers.* (Boston: Houghton Mifflin. 1928. Pp. 87. $1.25.)

Statistics, according to a summary in the preface, "is not a collection of numerical facts but rather a method and a logic; the science of statistics is an applied science in which it is just as necessary to scrutinize the premises as the logic and mathematics; mechanistic and universalistic notions of statistics are mistaken; statistical methods are frequently dependent upon the peculiar data to which they are applied; such methods are sound when they can be retained in actual practice, even though the methods are not applicable to data of another sort; and economic statistics has the same relation to economics and mathematics as mathematical physics has to physics and mathematics." The construction of index numbers is discussed from the point of view just indicated, that is, "as a problem necessarily involving not only economics and mathematics, but also the nature of the data utilized."

Budapest Székesfőváros statisztikai és közigazgatási évkönyve. Vol. XVI. (Budapest: Kommunal-Statistisches Amt. 1928. Pp. viii, 472, xix, 1007.)

Report on the vital statistics of the Dominion of New Zealand for the year 1927. (Wellington: Census and Statistics Office. 1928. Pp. xliii, 262. 5s.)

Statistical report for the State of Indiana for the year ending September 30, 1927. (Indianapolis: Legislative Bureau, Indiana Library and Hist. Dept. 1928. Pp. 164.)

Statistical yearbook of Quebec, 1927. 14th year. (Quebec: H. M. Stationery Office. 1927. Pp. 482.)

A source of material on climate, population, education, provincial administration, public finances, production, communications and transportation, business activity, labor and insurance and mutual benefit associations in the Province of Quebec.

PERIODICALS

Beginning with this issue, the publication of titles of articles in the periodicals covering the field of economics, with brief annotations, is discontinued. This service will henceforth be undertaken by *Social Science Abstracts*, which will publish abstracts of articles in seven of the social sciences: history, economics, political science, sociology, geography, statistics and anthropology. This new journal will appear monthly; and it is planned to include in the first year of publication about 15,000 abstracts of articles in American and foreign journals. The editors announce that over 2,600 journals in the social sciences have been listed, of which over 1,000 are systematically examined and received in the Columbia University Library. Lists are promised from research institutes at Kiel and Berlin. In order to increase the serviceability of the journal, an elaborate system of cross-referencing has been adopted. Authors' indexes will be published with each issue; and at the end of the year a cumulative authors' index together with an elaborate and systematic subject index will be printed as a separate issue.

The editorial organization consists of a board of directors, an international group of advisory editors, a large number of consulting editors and a central staff of eight specialists. The board of directors is composed of seven representatives of the following societies: American Anthropological Association, American Economic Association, American Geographical Society, American Historical Association, American Political Science Association, American Sociological Society and the American Statistical Association. Some eight hundred persons are coöperating in the work of abstracting. The entire project is published under the auspices of the Social Science Research Council, which was instrumental in providing funds necessary for the initial undertaking.

The first issue, which is now in type, contains 781 entries, with an average of six abstracts to a quarto page. Although this first number appears in March, there will be twelve numbers published during 1929, together with the index. The subscription rate is $6.00 per annum including the annual index. It is hoped that members of the constituent societies will make an early subscription in order that the first issue may be distributed to those desirous of securing a complete file. Subscription requests should be addressed to Social Science Abstracts, 611 Fayerweather Hall, Columbia University, New York City.

DOCUMENTS, REPORTS, AND LEGISLATION

Family Endowment Act in Australia: Before the Ministry which had been responsible for the Family Endowment act in New South Wales completed its term of office, it became evident that a tax of 3 per cent on all wages bills was more than enough to meet the claims which were being presented. The present government, which took office towards the end of 1927, immediately investigated the finances of the scheme, and then suspended the collection of the tax on employers as from October 31, 1927. This tax was realizing about £400,000 a month. The government estimated that the amount of claims likely to be received for the year ending June 30, 1928, was £1,265,000. Up to the end of February, however, only £407,000 had been claimed and paid. On this basis the Treasurer estimated an unexpended balance of £300,000 on June 30, 1928. The government is now inquiring whether the incidence of taxation necessary to the scheme upon industries cannot be permanently lightened, and has expressed the opinion that a tax of from 1 per cent to 1¼ per cent upon the wages bills of employers would furnish enough to carry out the endowments proposed by the original Act.

There the matter now stands. It is of interest to know that the federal government appointed a Royal Commission to inquire into the whole business of family endowment on a federal basis. This Commission is at present taking evidence.

University of Sydney G. V. Portus

Industries and Commerce

The federal Department of Commerce has published in the series of Trade Information Bulletins: No. 575, *The Retailer and the Consumer in New England,* by E. F. Gerish (pp. 74, 10c.). The Bureau of Foreign and Domestic Commerce has undertaken a series of comprehensive regional surveys to determine the facts which are affecting the distribution system. For this purpose the United States has been divided into nine large areas. Only one of these surveys has thus far been completed and published, namely, that covering the Southeastern States. The second in the series will be the commercial survey of New England, which will be published in three parts as follows: *Part I, The Industrial Structure of New England; Part II, The Commercial Structure of New England;* and *Part III, Market Data Handbook of New England.* The present bulletin is an advance printing of Part II of this report. The report is based chiefly upon personal interviews together with supplementary information gathered by questionnaires. Many interesting facts with regard to retail distribution and consumer demand are here assembled.

Other Trade Information Bulletins in the series are: No. 577, *The Italian Chemical Industry,* by E. Humes (pp. 48, 10c.); No. 578, *The Electrical Equipment Market in the Netherlands and Belgium* (pp. 37, 10c.); No. 579, *Developing the Smaller Leather Markets Abroad,* by J. Schnitzer (pp. 62, 10c.); No. 580 *Budgets of European Countries, 1928, Part I, Northern and Eastern Europe,* by R. M. Stephenson (pp. 52, 10c.); No. 581, *Distribution Centers for Automotive Products in Brazil,* by H. H. Tewksbury (pp. 32, 10c.); No. 582, *New England Manufactures in the*

Nation's Commerce, by C. E. Artman (pp. 36, 10c.). This bulletin is an advance printing of the introductory chapter on New England manufactures of Part I of the report which deals with *The Industrial Structure of New England.* No. 583, *European Markets for Rubber Sundries and Specialties* (pp. 49, 10c.); No. 584, *Foreign Markets for United States Eggs,* by M. A. Wulfert (pp. 13, 10c.); No. 585, *International Trade in Clocks and Watches* (pp. 62, 10c.); No. 586, *French National Finance and Stabilization;* by H. C. MacLean (pp. 22, 10c.); No. 587, *Markets for Fresh Fruit in the Netherland East Indies,* by D. C. Bliss (pp. 12, 10c.); No. 588, *Exports of Feedstuffs from the United States to Cuba and other West Indies,* by T. D. Hammatt (pp. 17, 10c.); No. 589, *Advertising Automotive Products in Australia, Japan and Islands of the Pacific,* compiled by J. A. G. Pennington (pp. 49, 10c.); No. 590, *International Trade in Furs,* by T. J. Biggins (pp. 15, 10c.); No. 591, *International Trade in Corn,* by T. D. Hammatt (pp. 32, 10c.); No. 592, *Market for Dried Fruit in the United Kingdom,* by R. S. Hollingshead (pp. 14, 10c.); No. 593, *Uniform Through Export Bill of Lading,* by A. L. Cricher (pp. 62, 10c.).

In the Trade Promotion series have appeared No. 64, *The British Lumber Market,* by A. E. Boadle (pp. vi, 352, 60c.); No. 69, *Reconstruction and Development of the Tokyo-Yokohama District,* by J. H. Ehlers (pp. x, 84, 30c.); No. 70, *Motor Roads in South Africa,* by B. P. Root, (pp. vi, 42, 20c.), with maps; No. 71, *United States Trade with Latin America in 1927,* compiled by H. S. Giusta (pp. iv, 80, 15c.).

The United States Tariff Commission in its twelfth annual report (Washington, 1929, pp. ix, 226, 25c.) discusses the problems and limitations in the administration of section 315 of the tariff act. It also gives a summary of its surveys, reports and investigations. Special reports by this Commission have been issued in regard to *Fluorspar* showing the differences in costs of production in the United States and the principal competing country (pp. v, 28, 5c.); *Sodium Silicofluoride* (pp. v, 21, 10c.); *Potassium Permanganate* (pp. iv, 14, 5c.).

In the Tariff Information series the Tariff Commission has issued Bulletin No. 37, *Census of Dyes and of other Synthetic Organic Chemicals,* 1927 (pp. ix, 191, 30c.).

The third volume of the report dealing with conditions in the bread-baking industry has been issued by the Federal Trade Commission under the title *Competition and Profits in Bread and Flour,* Senate Doc. No. 98, 70th Congress, 1st Session (pp. xxxii, 509). This volume contains the official report of the Commission, covering a wide range of investigation dealing with the marketing of bread, competitive activities of the American Bakers' Association, prices of bread, bakery consolidations, profits and costs of bread bakers, flour industry and wheat margins.

Technical Bulletin No. 79 of the United States Department of Agriculture is a study of *Major Transactions in the 1926 December Wheat Future,* by J. W. T. Duvel and G. W. Hoffman (September, 1928, pp. 52, 10c.).

The Bureau of Railway Economics continues its studies of *Commodity Prices in Their Relation to Transportation Costs* in Bulletin No. 32. *Peaches* (September, 1928), and No. 33, *Oranges* (November, 1928).

Labor

The federal Bureau of Labor Statistics has issued the following bulletins:

No. 461, *Labor Organizations in Chile,* by M. P. Troncoso (October, 1928, pp. ix, 41).

No. 466, *Settlement for Accidents to American Seamen* (October, 1928, pp. 101).

No. 469, *Building Permits in the Principal Cities of the United States in 1927* (November, 1928, pp. 105, 20c.).

No. 470, *Labor Legislation of 1927* (October, 1928, pp. 90).

No. 481, *Joint Industrial Control in the Book and Job Printing Industry,* by E. C. Brown (December, 1928, pp. 234, 35c.).

The Women's Bureau of the United States Department of Labor has issued Bulletin No. 61, *The Development of Minimum Wage Laws in the United States, 1912 to 1927* (90c.), and No. 65, *The Effects of Labor Legislation on the Employment Opportunities of Women* (75c.).

The *Annual Report of the United States Board of Mediation* for the fiscal year ended June 30, 1928, gives the text of the railway labor act and the work of the Board in cases of mediation and arbitration. The report also of the Emergency Board established under the railway labor act in the Orient Railroad case is reprinted.

Part I of the Annual Report on the Statistics of Labor of the Department of Labor and Industries of Massachusetts is entitled *Twenty-Seventh Annual Directory of Labor Organizations in Massachusetts, 1928* (Boston, Public Document No. 15, pp. 79). Labor Bulletin No. 153, also published by the Massachusetts Department of Labor and Industries relates to *Time Rates of Wages and Hours of Labor in Massachusetts, 1927* (pp. 120).

The State Department of Labor of New York has compiled a volume of *Miscellaneous Labor Laws, with Amendments to November 1, 1928* (Albany, pp. 204).

The Industrial Survey Commission of the State of New York, authorized in 1926, has made a second report under date of March, 1928, published as Legislative Document No. 87 (Albany, pp. 138).

The federal Bureau of Mines has issued as Bulletin 288, *Quarry Accidents in the United States during the Calendar Year 1926* (pp. 90, 15c.); Bulletin 292, *Metal-Mine Accidents in the United States: 1926* (pp. 119, 20c.); Bulletin 293, *Coal-Mine Fatalities in the United States: 1927* (pp. 120, 20c.).

Money and Banking

The hearings before the House Committee on Banking and Currency on *State Taxation of National Banks,* held May 10 and 11, 1928, have been printed (Washington, pp. 194). The hearings before the same Committee on *Stabilization,* held in March, April and May, 1928, have also been printed

(Washington, pp. 458). These deal with House Bill 11806. They contain the testimony of Owen D. Young of the Federal Reserve Bank of New York City; Roy A. Young, governor of the Federal Reserve Board; Benjamin Strong, governor of the Federal Reserve Bank of New York City; E. A. Goldenweiser, director of research and statistics of the Federal Reserve Board; John R. Commons, University of Wisconsin; Adolph C. Miller, vice-governor Federal Reserve Board; Professor O. M. W. Sprague; Henry A. Wallace; Professor Gustav Cassel; E. H. Cunningham, Charles S. Hamlin and Edmund Platt of the Federal Reserve Board.

Public Utilities

The third interim report of the Federal Trade Commission on the electric power and gas utilities inquiry, under date of May 15, 1928, has been published as Senate Document No. 92, 70th Congress, 1st Session (Washington, pp. 571).

The following reports dealing with public utilities have been received:

Fourteenth and Fifteenth Annual Reports of the Public Utilities Commission of the State of Idaho from July 1, 1926, to June 30, 1928 (Boise, pp. 202).

Report of the Public Service Commission of Maryland for the Year 1927 (Baltimore, pp. 536).

Eighteenth Annual Report of the Board of Public Utility Commissioners for the State of New Jersey for the Year 1927 (Trenton, pp. 59).

Board of Public Utility Commissioners of the State of New Jersey: Report on Statistics of Utilities, Private and Municipal for the Year 1927 (Trenton, pp. 128.)

Sixteenth Annual Report of the Public Utilities Commission of the State of Rhode Island for the Year Ending December 31, 1927 (Providence, pp. 280).

Fifteenth Annual Report of the Public Service Commission of the State of West Virginia, July 1, 1927, to June 30, 1928 (Charleston, pp. 758).

NOTES

The following persons were elected honorary members of the American Economic Association at the annual meeting in December, 1928: Sidney Webb, London School of Economics and Political Science; Werner Sombart, University of Berlin; Gustav Cassel, University of Stockholm; and Joseph Schumpeter, University of Bonn.

The following names have been added to the membership of the American Economic Association since November 1:

Abbott, C. C., Randolph Hall, Cambridge, Mass.
Amos, J. E., Johnstown Center, University of Pittsburgh, Johnstown, Pa.
Ambs, K. F., Berrien Springs, Michigan.
Andrews, C. T., 130 Newbury St., Boston, Mass.
Ashton, H., 11 Everett St., Cambridge, Mass.
Atif, A. H., 150 W. 120th St., New York City.
Beights, D. M., 1544 Fifth Ave., Huntington, W.Va.
Benedict, M. R., 24 Benjamin Rd., Belmont, Mass.
Bittermann, H. J., Commerce Hall, Ohio State University, Columbus, Ohio.
Blackinton, R. J., 3228 Seminary Ave., Chicago, Ill.
Bliss, C. A., 2330 College Ave., Berkeley, Calif.
Bratt, E. C., 537 West Doty, Madison, Wis.
Briggs, R. P., University of Michigan, Ann Arbor, Mich.
Byrnes, A. M. H., The San Carlos, 150 E. 50th St., New York City.
Carbo, L. A., Apartado No. 384, Quito, Ecuador, S.A.
Carlson, R. I., 721 College Ave., Elmira, N.Y.
Cassidy, H. M., Rutgers University, New Brunswick, N.J.
Catherwood, B. F., 1002 W. California, Urbana, Ill.
Churchill, A. B., 1446 E. 66th Pl., Chicago, Ill.
Clark, J. D., 203 Chancery Rd., Baltimore, Md.
Corry, O. C., Texas Technological College, Lubbock, Texas.
Danielian, N. R., 31 Charnwood Rd., West Somerville, Mass.
Dato, E., 936 N. Michigan Ave., Chicago, Ill.
Davis, H. B., 3359 Parkview Ave., Pittsburgh, Pa.
Davis, J. B., 213 Morgan Hall, Harvard Business School, Soldiers Field, Boston, Mass.
Dodd, P. A., 855 N. Vermont Ave., Los Angeles, Calif.
Doney, H. A., West Virginia University, Morgantown, W.Va.
Dykstra, D., 5749 Drexel Ave., Chicago, Ill.
Ely, R. J. W., Nebraska Wesleyan University, Lincoln, Neb.
Feiren, D. H., Century Co., 353 4th Ave., New York City.
Fisher, W. E., 310 Logan Hall, Wharton School, Univ. of Pennsylvania, Philadelphia, Pa.
Folts, F. E., Morgan Hall, Harvard Business School, Soldiers Field, Boston, Mass.
Fraine, H. G., School of Business Administration, Univ. of Minnesota, Minneapolis, Minn.
Francis, G. M., Rockford College, Rockford, Ill.
Ganong, C. K., College of Commerce, Dalhousie University, Halifax, N.S.
Gilmore, E. A., Jr., Sterling Hall, University of Wisconsin, Madison, Wis.
Gluck, E., 303 Princeton Ave., Madison, Wis.
Graeffe, E. O., 773 E. Grand Blvd., Detroit, Mich.
Gronewald, R. G., Bethel College, Newton, Kan.
Gubitz, A. C., 17½ Carpenter St., Athens, Ohio.
Hamilton, E. J., Box 242, Duke University, Durham, N.C.
Hart, K. T., Spring Hill College, Spring Hill, Mobile County, Ala.
Hart, W. L., 1819 W. Pershing Rd., Chicago, Ill.
Hartsough, M., 7 Paradise Rd., Northampton, Mass.
Havlik, H. F., 1918 Sherman Ave., Evanston, Ill.
Hellebrandt, E. T., 1209 University Ave., Grand Forks, N.D.
Henig, H., Bradley Polytechnic Institute, Peoria, Ill.
Henze, C. W., 4114 N. Kenneth Ave., Chicago, Ill.

Himadeh, S. B., American University, Beirut, Syria.
Horak, J., 93 Greenfield St., Tiffin, Ohio.
Horner, R. E., 2230 Francis Ave., Grand Rapids, Mich.
Howell, J. W., Carnegie Institute of Technology, Pittsburgh, Pa.
Hunt, S. B., Temple University, Philadelphia, Pa.
Hunter, M. B., 2521 Iowa St., Cedar Falls, Iowa.
Jacobs, A. J., Lincoln Hall, University of Nevada, Reno, Nev.
Janzen, C. C., Appleton, Wis.
Jenks, L. H., Winter Park, Fla.
Jennings, L. D., 337 E. Chicago Ave., Room 723, Chicago, Ill.
Jewett, F. E., Stillwater, Okla.
Johnson, E. A. J., 85 Prescott St., Cambridge, Mass.
Jones, D., 730 Alcatraz Ave., Oakland, Calif.
Kaschenbach, E. J., Drexel Institute, Philadelphia, Pa.
Kobe, S., 924 Baldwin Ave., Ann Arbor, Mich.
Krauss, D. T., 705 N. Fountain Ave., Springfield, Ohio.
Kuhn, C. E., 1307 16th Ave., Altoona, Pa.
Leavens, D. H., 202 Broadway, Norwich, Conn.
LeSage, W. D., 1123 8th St., Huntington, W.Va.
Lin, H. C., 38 Chin Shing St., Anking, Anhwei, China.
Lounsbury, R. H., Cornell University, Ithaca, N.Y.
McCord, M. R., Brookwood, Inc., Katonah, N.Y.
McIntyre, R. D., College of Commerce, University of Kentucky, Lexington, Ky.
McKee, W., New Wilmington, Pa.
McKinley, S. J., 2 Frost Ter., Cambridge, Mass.
McReynolds, R. A., 5642 Harper Ave., Chicago, Ill.
Malott, E. O., 1014 Noyes St., Evanston, Ill.
Margolin, R., 140 W. 175th St., New York City.
Marquis, R. W., 221 Clifford Ct., Madison, Wis.
Matsushita, S., 37 Hill St., West Haven, Conn.
Moen, R. O., State College Station, Raleigh, N.C.
Morrell, F., Armando Stationery Co., Reno, Nev.
Myers, S. W., 337 E. Chicago Ave., Room 705, Chicago, Ill.
Nelson, S., 4615 N. Leamington Ave., Chicago, Ill.
Newcomer, M. V., 926 W. Camile St., Santa Ana, Calif.
Nichols, W. D., College of Agriculture, University of Kentucky, Lexington, Ky.
O'Hara, J. L., 194 Malcolm Ave., Minneapolis, Minn.
Oliver, E. L., 701 Brotherhood Bldg., Cincinnati, Ohio.
O'Neill, H. J., Iowa State Teachers College, Cedar Falls, Iowa.
Osborne, A. I., Lake Norden, S.D.
Pegrum, D. F., University of California, Los Angeles, Calif.
Pendergast, R. B., Wellesley Farms, Mass.
Peterson, R. E. K., Meridian Mansions Hotel, 2400 16th St., Washington, D.C.
Phillips, C. A., 220 Ronald St., Iowa City, Iowa.
Prouty, N. H., 630 City Ave., Scranton, Pa.
Ramsey, C. M., Suite 32, 2 Clinton Rd., Cambridge, Mass.
Reierson, R. L., 1014 Noyes St., Evanston, Ill.
Riley, E. B., Dept. of History, Thomas Jefferson High School, Brooklyn, N.Y.
Rolph, I. K., U. S. Dept. of Commerce, Washington, D.C.
Rouse, C. P., 415 Kentucky Ave., Lexington, Ky.
Rubinow, R. B., Adams Hall, University of Wisconsin, Madison, Wis.
Schnaitter, M. R., 619 State St., Milwaukee, Wis.
Schneider, K., 26 Trowbridge St., Cambridge, Mass.
Sepmeier, K. A., 1634 N. Holyoke, Wichita, Kansas.
Shafer, J. E., R.F.D. 7, Madison, Wis.
Silverstein, N. L., University of California at Los Angeles, Los Angeles, Calif.
Smith, A., 54 Laurence St., Fitchburg, Mass.
Smith, W. B., Wellesley College, Wellesley, Mass.
Soleim, J. B., 2449 Dwight Way, Berkeley, Calif.
Spengler, J. J., Ohio State University, Columbus, Ohio.
Staley, E., 91 Gates Hall, University of Chicago, Chicago, Ill.
Stineford, C. L., University of Vermont, Burlington, Vt.
Stratton, H. J., Jacksonville, Ill.
Sumner, J. D., University of Buffalo, Buffalo, N.Y.

Theobald, A. D., 337 E. Chicago Ave., Chicago, Ill.
Titus, P. M., B-2 Prospect Apts., Princeton, N.J.
Treanor, G., 3910 E. 54½ St., Minneapolis, Minn.
Tunell, G. G., 923 Railway Exchange, 80 E. Jackson Blvd., Chicago, Ill.
Umbreit, M. H., 1014 Noyes St., Evanston, Ill.
Underhill, H. E., Lawrence, Kansas.
Valk, W. L., International House, 500 Riverside Dr., New York City.
Warden, B. E., 1203 Oread, Apt. 13, Lawrence, Kan.
Wardwell, C. A. R., 2019 Sherman Ave., Evanston, Ill.
Webster, J. S., Theta Chi, Champaign, Ill.
Weinstein, A. H., 1650 Lee Rd., Cleveland Heights, Ohio.
Wilber, A. S., F. S. Crofts & Co., 41 Union Sq., New York City.
Wolfe, T. M., Box 525, Athens, Ohio.
Woodworth, G. W., University of Michigan, Ann Arbor, Mich.
Yu, J. T. T., c/o Carrie Yu, Top Floor, 77 Caine Rd., Hong Kong, China.

A dinner meeting of the American Statistical Association was held in New York, December 26, 1928, to listen to a discussion of "Bank Credit and the Security Market." Among the speakers were David Friday, Edward S. Rothchild, Robert Warren and Norman Merriman.

The Encyclopædia of the Social Sciences has announced that the plan of publication (given in detail in the American Economic Review, March, 1928, pp. 192-194) has been changed. The original plan proposed to publish ten volumes, and the price was to be $7.50 per volume, with a reduction of forty per cent to members of the constituent associations, which would bring the price to $4.50 per volume. Investigation shows that this would make the volumes too bulky; and it is now determined to publish the work in fifteen volumes, maintaining a price of $7.50 per volume or $4.50 to members of the associations. It is announced that progress has been made with the preparation, and it is expected that the first volume, running through the letter "A," will appear in the summer of 1929. From then on it is hoped to publish the volumes at the rate of two or three a year. It is also announced that, owing to the expense of the enterprise it will be impracticable to extend the offer of reduced rates indefinitely. Members expecting to subscribe are therefore invited to notify the editors as soon as possible (Encyclopædia of the Social Sciences, Fayerweather Hall, Columbia University).

The annual report of the Social Science Research Council for 1927-28 announces that the following researches have been completed or brought near to completion: "World Migrations since 1800," by Professor Walter F. Willcox of Cornell University, under the National Bureau of Economic Research; "Migration and the Mechanization of Industry," by Professor Harry Jerome of the University of Wisconsin, under the National Bureau of Economic Research; "Critical Survey of Statistics relating to the American Labor Market," by Dr. Leo Wolman, under the National Bureau of Economic Research; "Antecedents of Mexican Immigration into the United States," by Dr. Manuel Gamio of Mexico City; "Survey of Penal Farm Colonies in the Orient," by Professor John L. Gillin of the University of Wisconsin; "Fluctuations of Output Among Workers," by Mr. Stanley B. Mathewson of Springfield, Ohio, under the Personnel Research Federation; "Negro Culture on St. Helena Island, S.C.," under the North Carolina Institute for Research in Social Science; and the California section of the study of "Mexican Labor Problems in the United States," by Professor Paul S. Taylor of the University of California.

It is also announced that under the chairmanship of Professor Henry C. Taylor the Advisory Committee on Social and Economic Research in Agriculture has prepared in monograph form: *Preliminary Report of a Survey of Economic Research in Agriculture in the United States during the Year July 1, 1926-June 30, 1927.* In four sections: vol. I, *Statistical Summary* (pp. 19); vol. II, *Research in Farm Management* (pp. 165); vol. III, *Research in Marketing Farm Products* (pp. 98); vol. IV, *Description of Research in Coöperation, Commodity Production and Marketing, Consumer Areas, Foreign Competition, etc., Prices of Farm Products, Agricultural Income, Land Economics, Farm Labor, Farm Credit, Agricultural Insurance, Farm Taxation and Transportation and Roads* (pp. 98). Also, *Preliminary Report on Rural Sociological Research in the United States during the Year July 1, 1926-June 30, 1927* (pp. 119); and *Rural Sociological Research in the United States,* a study of the scope of the field, methodology, personnel, etc. (pp. 114).

The London School of Economics and Political Science in 1925 announced the preparation of a subject catalogue of the books and pamphlets in the British Library of Political and Economic Science at the School of Economics. Since that date, however, the scope of the work has been enlarged to embrace other collections in London, in particular the Goldsmiths' Library of Economic Literature belonging to the University of London, certain special collections including rare tracts and pamphlets at University College, and the libraries of the Royal Statistical Society and the Royal Anthropological Institute. Some 750,000 items will be dealt with in the new catalogue. It has been decided to publish this as *A London Bibliography of the Social Sciences;* and it is hoped that printing will be begun in the first half of this year and the work published shortly thereafter. It will be issued in four volumes, containing roughly 5,000 quarto pages. Three volumes will form an alphabetical subject catalogue following the classification scheme of the Library of Congress; while the fourth volume will contain an alphabetical index of authors. The subscription price of the work, applicable to all orders received by the first of May, 1929, will be five guineas for the four volumes delivered in London. The original subscribers will receive also, without further charge, lists of accessions for one complete year from the date of the subject catalogue. The price for orders received after May 1, 1929, will be not less than six guineas. The catalogue will be issued in paper covers. Orders should be sent to the Librarian of the London School of Political Science and Economics, Houghton Street, Aldwych, London, W. C. 2.

The first number of the *Journal of Economic and Business History,* published for the Graduate School of Business Administration at Harvard University and the Business Historical Society, appeared under date of November, 1928 (Harvard University Press, Cambridge, Massachusetts, $5.00 per annum). This first number contains articles on "American Treasure and Andalusian Prices, 1503-1660," by E. J. Hamilton; "Early English Banking Schemes," by R. D. Richards; "Thomas Hancock, Colonial Merchant," by Edward Edelman; "Recent Work on the Economic History of Ancient Rome," by Tenney Frank; "Historical and Theoretical Issues in the Problem of Modern Capitalism," by F. H. Knight; "Some International Aspects of the Anti-Slavery Movement, 1818-1823," by T. P. Martin; and "Letters from a Sugar Plantation, 1723-1732," by E. F. Gay.

The International Chamber of Commerce began in January, 1929, the publication of a new quarterly review, ***World Trade,*** published in three languages, English, French and German. The January issue contains the following articles: "The Most Favoured Nation Clause," by Paul Elbel; "Clean Bills of Lading," by W. W. Paine; "International Industrial Statistics," by Gino Olivetti; "Uniform Nomenclature in Customs Tariffs," by H. Flach; "Uniform Nomenclature in Railway Tariffs," by Jacques Lacour-Gayet; "The Diplomatic Conference on International Exhibitions," by Guy Locock; "Double Taxation," by R. Julliard; and "Progress of the International Silk Federation," by Etienne Fougère. More space, it is stated, will in the future be devoted to articles on various aspects of industry, banking and commerce; and an appendix will be published each quarter giving the texts of the more important international conventions. (Journal of the International Chamber of Commerce, 38, Cours Albert Ier, Paris (VIII), pp. 183, 1s.)

The Ufficio Speciale d'Informazioni Legali ed Amministrative (Via della Scrofa 30, Rome) issued under date of November-December, 1928, a new publication, *La Rassegna* (pp. 19). This will be published every two months.

The National Lumber Manufacturers Association has announced that the *National Lumber Survey* will be discontinued. The Association will soon publish the *National Lumber Trade Barometer,* a weekly on a two-page sheet (Washington, D.C.).

The Bureau of Statistics of the National Government of China announces the publication within a short time of the *China Statistical Yearbook.* This will be published in both Chinese and English, covering labor, agriculture, commerce, education and communication. (The Bureau of Statistics, Legislative Yuan, Houfu, Nanking.)

The University of Toronto Committee of Management has begun the issue of *Contributions to Canadian Economics* under the University of Toronto Studies in History and Economics. Volume I covers the year 1928 and contains the following articles: "An Introduction to Canadian Economic History," by James Mavor; "Fertility of Marriage in Canada," by H. R. Kemp; "Cycles of Unemployment in Canada," by G. E. Jackson; "The Size of the Establishment in Canadian and American Industry," by V. W. Bladen; "Bibliography of Research Work," by H. A. Innis; and "A Bibliography of Publications on Canadian Economics during 1927-1928," by H. A. Innis. (The Librarian, University of Toronto, pp. 100, 50c.)

The Information Service of the Department of Research and Education of the Federal Council of the Churches of Christ in America (125 East 22nd Street, New York City) in volume VII, number 37, summarizes the work of the International Labor Organization.

The Sixteenth National Foreign Trade Convention will be held in Baltimore, Maryland, April 17-19, 1929. Further information may be obtained from the secretary, National Foreign Trade Council, 1 Hanover Square, New York City.

The fifth general meeting of the International Chamber of Commerce will be held at Amsterdam, July 8 to 13. The American delegation leaves New York on the *Statendam,* June 29. Inquiries may be directed to John P. Gregg, Connecticut Avenue and H Street, N.W., Washington, D.C.

The Twelfth Session of the International Labor Conference, meeting at Geneva, Switzerland, on May 30, will discuss unemployment, forced labor, hours of work of salaried employees and the prevention of industrial accidents.

Bowdoin College will conduct an Institute of the Social Sciences from April 29 to May 11. The subjects included will be law, government, economics and sociology.

The Indiana Association of Economists and Sociologists completed its organization at Indianapolis in December, 1928. The officers are: Dr. E. H. Shideler of Franklin College, president; Dr. W. F. Mitchell of DePauw University, vice-president; Professor R. Clyde White of Indiana University, secretary-treasurer. The principal function of the association is stimulation of research and productive work.

A meeting of the Southeastern Economics Conference was held at Atlanta, Georgia, November 9-10, 1928. Among the papers presented were: "The Economics of Welfare Work in the Southern Mill Villages," by Miss Jean Davis of Wells College; "Some Labor Attitudes in the South," by Miss Lois MacDonald of New York University; "Recent Trends in Tax Legislation in the South," by Professor J. W. Martin of the University of Kentucky. All of the papers will be published under the title, *The Industrial South.*

"Land Utilization" was the subject of discussion at the annual meeting of the New England Research Council, held in Boston, December 6 and 7, 1928. Among those who took part in the discussion were Professor I. G. Davis of Connecticut Agricultural College, Professor John D. Black of Harvard University, Professor H. H. Chapman of the Yale Forestry School, Dr. L. C. Gray of the United States Bureau of Agricultural Economics and Professor A. E. Cance of Massachusetts Agricultural College.

On November 22 and 23, 1928, Oberlin College held a two-day conference on the general topic, "World Problems, 1918-1928." Among the speakers were Dr. H. G. Moulton, whose subject was "Reparations and Interallied Debts in Relation to World Reconstruction"; Professor Karl Brinkmann of the University of Heidelberg, "Germany under the Dawes Plan"; Professor Jacob Viner, "Trade and Tariff Problems since the War"; and Professor Manley Hudson, "The League of Nations and Its Problems."

A Bureau of Business Research has recently been established at the University of Georgia School of Commerce. Dean R. P. Brooks has been named director of the Bureau.

The 1928 prizes offered by Messrs. Hart, Schaffner & Marx have been awarded as follows: Class A, first prize of $1,000 to Helen Fisher Hohman, for a study entitled "The Trade Boards Acts and the Social Insurance Acts

in Relation to a Minimum Standard of Living in Great Britain: A Study in Attitudes toward Poverty and Methods of Dealing with It, 1880-1926." Class A, second prize of $500 to Nelson Lee Smith for a study entitled "The Fair Rate of Return in Public Utility Regulation." Honorable mention, with right to print, to Simon S. Kuznets for a study entitled "Secular Movements in Production and Prices." Honorable mention to George Shorey Peterson for a study entitled "The Economic Aspects of Highway Development." Class B, first prize of $300 to Charles B. Miller, Jr., for a study entitled "The Mobility of Industrial Labor in the United States." Second prize of $200 to Hans Waldemar Schmidt for a study entitled "International Trade in Coal." Honorable mention to Helen A. Bonser for a study entitled "The Gold Exchange Standard."

A new edition of *Business Barometers* by Roger W. Babson contains a description of the physical volume of Canada, showing curves of monthly activity from 1914 to date covering mineral production, agricultural marketings, manufacturers and transportation.

The Institute for the Study of Law at the Johns Hopkins University is preparing for publication a survey of all studies and research in or related to law now in progress or completed in 1928. The term "research in law" is to be interpreted in its broadest sense, so as to include all studies, writings, or investigations large or small. The object of this survey is to present a picture of the work of all groups whose studies are concerned directly or indirectly with any phase of law or involve the use of legal materials. It is believed that such a record of studies will serve to make them available to a greater number, and will help prevent duplication and overlapping of work in the future. A questionnaire has been sent to faculties of the law schools, to faculties in economics, political science, sociology and psychology of the universities in the Association of American Universities, as well as to organized research bureaus, foundations and commissions. Those who have not received this questionnaire and are doing work which they believe should be included in this survey are requested to write to the Institute for the Study of Law, telling of their work and suggesting the names of others whose work they believe should be included. As the report is to be completed in June, an early reply is needed.

The following notes concerning the Brookings Institution have been received:

Under its program of organization and consolidation the Brookings Institution, through its president, Harold G. Moulton, appoints an advisory council to supervise its investigations and prepare its work. The membership of this council for the current year consists of Charles O. Hardy, Robert R. Kuczynski, Lewis L. Lorwin, Leverett S. Lyon, Edwin G. Nourse, Thomas Walker Page, Frederick W. Powell and William F. Willoughby.

Ralph L. Dewey of the faculty of Ohio State University is spending the academic year in Washington preparing for the Brookings Institution a study of railroad freight rates and differentials.

Joseph G. Knapp, having completed his doctoral work at Leland Stanford Jr. University, has returned to the Brookings Institution and is resuming his studies of agricultural marketing methods.

Constantine E. McGuire has resigned from the staff of the Brookings Institution. His latest publication prepared under the auspices of the In-

stitution was *Italy's International Economic Position.* Dr. McGuire is at present in Europe, where he will deliver a number of lectures before learned societies in Germany and Italy.

Frank Tannenbaum is in Porto Rico assisting in the survey of the economic and social conditions which is being conducted by the Brookings Institution. Mr. Tannenbaum's book on *The Mexican Agrarian Revolution*, prepared for the Institution, is now in press.

Appointments and Resignations

Professor D. C. Barrett of Haverford College has been granted a leave of absence for the second half of the current academic year, and will spend the greater part of the time in Europe.

Mr. L. D. Benedict of Iowa State College has been promoted to the rank of associate professor.

Professor Roy G. Blakey of the University of Minnesota was in North Carolina from November, 1928, to January, 1929, where he was called by the State Tax Commission to confer with them on their program of tax revision before the legislature. He gave especial attention to the state income tax.

Dr. S. J. Brandenburg of Clark University returned in January after seven months of study in Europe, principally in Berlin.

Professor Niles Carpenter of the University of Buffalo has been granted an additional semester's leave of absence for service with the Committee on the Cost of Medical Care of which he is Assistant Director of Study.

Mr. W. A. Carter of the University of Missouri is an instructor in economics at Dartmouth College.

Professor Harry T. Collins of the University of Pennsylvania gave a series of six lectures on Latin America before the Institute of International Relations at Riverside and Los Angeles, California, December 9-14, 1928. Dr. Collins has also accepted an invitation to lecture on International Trade at the University of Leipzig, during the coming summer. While in Europe he will be a delegate to the International Chamber of Commerce meetings to be held in Amsterdam, July 9-12.

Mr. George A. Cook has been appointed secretary of the United States Board of Mediation.

Professor Morris A. Copeland of Cornell University is on leave during the current academic year. During the first semester he was with the Experimental College of the University of Wisconsin. During the rest of the year he will be in the Division of Research and Statistics of the Federal Reserve Board.

Mr. G. Reginald Crosby of Columbia University has been appointed to an assistant professorship in economics at Dartmouth College.

Mr. T. F. Debnan has been appointed instructor in economics at Lafayette College.

Mr. Joseph Demmery, formerly of Washington State College, has been appointed acting associate professor of business administration at the University of Washington.

Mr. Howard Dykman, formerly of the Federal Land Bank of St. Paul, Minnesota, has been appointed associate professor of insurance and economics in the College of Commerce and Journalism at the University of Florida.

Dr. Wilfred Eldred has resigned from the University of Washington to accept a position with the Investment Research Corporation of Detroit, Michigan.

Mr. Raymond F. Farwell has returned to the University of Washington to take over the work in maritime commerce.

Mr. H. A. P. Fisher has been appointed lecturer in real estate at Lafayette College.

Professor Paul Haensel, formerly of the University of Moscow, will give two courses at the University of Chicago during the spring quarter, one on comparative European finance, the other on Russian economic institutions.

Mr. S. Roland Hall has been appointed lecturer in marketing at Lafayette College.

Professor R. G. Hawtrey of London gave a series of three lectures at the University of Chicago in January.

Mr. Clarence L. Holmes of Iowa has been appointed agricultural economist in charge of the Division of Farm Management and Costs of the federal Department of Agriculture.

Miss Elizabeth E. Hoyt of Iowa State College has been promoted to the rank of full professor. Dr. Hoyt has recently returned from a three months' visit to Japan, Korea and China, where she found interesting developments in the field of consumption economics in some of the universities and colleges. Dr. Hoyt has just published a book on consumption economics.

Dr. Duncan Clark Hyde of the Keio University, Japan, has been appointed acting associate professor of commerce and business administration at the University of Virginia.

Professor E. W. Kemmerer of Princeton University is chairman of the Commission of Financial Advisers to the Republic of China.

Professor R. V. Leffler of Dartmouth College is teaching courses in money and banking at the University of Michigan during the present academic year.

Mr. Oliver C. Lockhart of the University of Buffalo is on leave of absence for the calendar year, during which time he will be a member of the Commission of Financial Advisers to the Republic of China.

Professor J. L. McDonald has been appointed chairman of the department of economics at Dartmouth College.

Mr. Edmund D. McGarry of the University of Buffalo has been elected a director of the National Association of Teachers of Marketing and Accounting.

Dr. M. K. McKay, professor of economics at the University of Pittsburgh, will teach in the summer session at Harvard University.

Professor Leon C. Marshall has resigned his position at the University of Chicago to join the Institute for the Study of Law at Johns Hopkins University.

Mr. R. D. Miller has been appointed associate professor of economics at Lafayette College.

Mr. S. J. Navin of the University of Illinois has joined the department of economics at Dartmouth College as an instructor.

Mr. William C. Ockey has been appointed instructor in business statistics in the University of Texas.

Professor H. H. Preston of the University of Washington is teaching the money and banking courses at Dartmouth College during the present academic year.

Mr. Earl R. Sikes has been promoted to a full professorship of economics at Dartmouth College.

Dean Charles M. Thompson of the College of Commerce at the University of Illinois has been appointed a member of the Citizens' Traction Settlement Committee of Chicago, which is composed of five citizens. This committee was appointed by the United States District Court with the approval of the mayor and city council of Chicago to assist in settling the present traction difficulties and to bring about the unification of all traction facilities in the city of Chicago.

Dr. C. W. Wassam, professor of insurance and economics in the College of Commerce and Journalism at the University of Florida, has resigned on account of ill health.

Dr. Arthur N. Young has resigned as economic adviser of the Department of State to be associated with Professor Kemmerer's financial mission to China, on which he will serve as expert on public credit.

Miss Grace S. M. Zorbaugh of Iowa State College has been promoted to the rank of associate professor.

teaching
e present

economics

the Uni-
Traction
ns. This
with the
tling the
traction

College
igned on

Depart-
mission

noted to